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Russian Federation

Progress report and written analysis by the Secretariat of Core Recommendations[1]

16 September 2014

[1] Third 3rd Round Written Progress Report Submitted to MONEYVAL

Russia is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 45th plenary meeting (Strasbourg, 15-19 September 2014). For further information on the examination and adoption of this report, please refer to the Meeting Report (MONEYVAL(2014)17) of the 45th plenary meeting at http://www.coe.int/moneyval

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Russian Federation

Third 3rd Round Written Progress Report

Submitted to MONEYVAL

1. Written analysis of progress made in respect of the FATF Core Recommendations

1.1. Introduction

1. The purpose of this paper is to introduce the Russian Federation's third report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the 3rd round mutual evaluation report (MER) on the FATF Core Recommendations.

2. As the Russian Federation is a member of 3 AML/CFT assessment bodies, it was the subject of a joint evaluation by the FATF, MONEYVAL and the Eurasian Group (EAG) in the 3rd round of MONEYVAL evaluations. Previously the Russian Federation had been evaluated by MONEYVAL alone in MONEYVAL's 1st and 2nd rounds.

3. The Russian Federation was visited by the assessment team from 24 September to 2 October 2007 and from 12-23 November 2007. The MER of the Russian Federation was examined and adopted by MONEYVAL at its 27th Plenary meeting (7-11 July 2008). As a result of the assessment, the Russian Federation was rated as being Compliant (C) on 10 recommendations, Largely Compliant (LC) on 13 recommendations, Partially Compliant (PC) on 21 recommendations and Non-compliant (NC) on 3 recommendations.

4. According to MONEYVAL procedures, the Russian Federation submitted its first year progress report[1] to the Plenary in September 2009. The 2nd progress report[2] was submitted to the 36th Plenary in September 2011. The 41st Plenary meeting in April 2013 considered the issue of MONEYVAL's continuing follow up of the 2007 joint FATF, MONEYVAL and EAG assessment of the Russian Federation. Bearing in mind the on-going follow up procedures in FATF and the projected further joint FATF, MONEYVAL and EAG assessment planned for 2016, the Plenary invited Russia to submit a further 3rd round progress report to MONEYVAL by September 2014. The Russian Federation was subsequently removed from regular follow up in the FATF follow up procedures in October 2013.

5. This paper is based on the Rules of Procedure as revised in December 2013, which require a Secretariat written analysis of progress against the core Recommendations[3]. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rule 12). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, with both documents being subject to subsequent publication.

6. The Russian Federation has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the Core Recommendations.

7. The Russian Federation received the following ratings on the Core Recommendations:

[1] http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/progress%20reports/MONEYVAL(2009)30_ProgRep_RUS_en.pdf

[2] http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Progress%20reports%202y/MONEYVAL(2011)19_ProgRep2_RUS_en.pdf

[3] The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

R.1 – Money laundering offence (LC)
SR.II – Criminalisation of terrorist financing (LC)
R.5 – Customer due diligence (PC)
R.10 – Record Keeping (LC)
R.13 – Suspicious transaction reporting (LC)
SR.IV – Suspicious transaction reporting related to terrorism (PC)

8. This paper provides a review and analysis of the measures taken by the Russian Federation to address the deficiencies in relation to the Core Recommendations (Section 1.2) together with a summary of the main conclusions of this review (Section 1.3). This paper should be read in conjunction with the progress report and annexes submitted by the Russian Federation.

9. It is important to note that the present analysis focuses only on the Core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account, to the extent possible in a paper based desk review, on the basis of the information and statistics provided by the Russian Federation, and, as such, the assessment made does not confirm full effectiveness.

1.2. Detailed review of measures taken by the Russian Federation in relation to the Core Recommendations

A. Main changes since the adoption of the MER

10. Since the adoption of the MER and the MOENYVAL Second Progress Report in 2011 the Russian Federation has adopted a Law amending the RF Criminal Code. This Law follows MONEYVAL's strong advice in 2011 that the financial threshold placed on self-laundering should be reconsidered and removed. The amendment abolished the threshold for criminalisation of self-laundering of amounts exceeding RUB 6 million (approximately EUR 123 000 / USD 163 000) (article 174.1, Criminal Code) and thus aligns the ML offence with international standards. As a result of endorsed legislative amendments tax crimes are also added to the list of designated categories of predicate offences for ML.

11. Additionally, amendments to the AML/CFT Law were introduced with a view to addressing deficiencies identified in the report in respect of the core Recommendations, related to definition of "beneficial owner", prohibitions on maintaining accounts in fictitious names, as well as opening and maintaining accounts (deposits) using pseudonyms (pen names).

12. Procedures applied for understanding the nature and intended purpose of the business relationship have been amended during the relevant period.

13. The legislation implementing UNSCR 1373 has also been amended and includes a new procedure to block funds or uncertified securities and other assets, which is applicable in situations where an entity or an individual is reasonably suspected of being linked to financing of terrorism, but does not qualify for designation (inclusion in the list of entities and individuals known to be linked to extremist activity or terrorism) on the grounds set forth in clause 2 of Article 6 of the AML/CFT Law, though these important changes fall

outside of the scope of the present review and thus are not reflected in the text of the analysis below.

14. In terms of legislative amendments, the authorities also referred to changes in the supervisory regime in the progress report, in particular according to the Federal Law No.251-FZ dated June 23, 2013 "On Amendments to Certain Legislative Acts of the Russian Federation following Assignment of Financial Markets Regulation, Monitoring and Supervision Powers to the Central Bank of the Russian Federation" the Bank of Russia is empowered to regulate, monitor and supervise operations of non-credit financial institutions since September 1, 2013, though these developments also fall outside of the scope of the present review.

15. Currently Russia implements the interdepartmental National Action Plan for fighting tax evasion and concealment of beneficiary owners of companies aimed at implementing the revised FATF Recommendations, the 2013 G8 Decisions on principles to prevent the misuse of companies and legal arrangements and the related G20 Declaration.

16. The Russian authorities report that, since the adoption of the 2nd progress report, from 2011 to 2013 1897 ML criminal investigations were initiated, 1021 ML cases were forwarded to court and 406 convictions were issued on ML offence.

17. The Russian Federation has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as reflected in the progress report, however these fall outside of the scope of the present report and thus are not analysed therein.

18. Further details on the progress made by the Russian Federation can be found under the respective sections of this report.

B. Review of measures taken in relation to the Core Recommendations

Recommendation 1 - Money laundering offence (rated LC in the MER)

19. At the time of the adoption of the MER ML offence was assessed as broadly in line with the international requirements.

20. After the adoption of the MER amendments to Article 174.1 criminalizing self-laundering resulted in reintroduction of a financial threshold to qualify acts of self-laundering as crimes. It was motivated in part by the perceived need to focus attention on third party laundering. Under the second MONEYVAL 3rd round progress report analysis Russia was advised that the threshold for criminalisation of self-laundering should be removed.

21. The Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 amended Article 174.1 and removed threshold for criminalisation of self-laundering. Thus it can be concluded that this deficiency has been remedied.

Deficiency No.1 *Russia should establish offences of insider trading and stock market manipulation.*

22. The Russian Federation applies "all crimes" approach and as described under the MER ML offence was extended to all designated categories of predicate offences, except for market manipulation and insider trading.

23. Federal Law No.224-FZ "On Countering the Illegal Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation" was adopted on 27.07.2010 criminalizing insider trading and amending offence of market

manipulation. Article 185.6 prescribing criminal liability for insider trading entered into force on 31.07.2013.

24. Thus it can be concluded that the deficiency has been addressed.

Effectiveness

25. The following chart summarises the investigations, prosecutions and final convictions for ML offences for the period 2010-2013, though this review is focusing primarily on the period since the last MONEYVAL review (i.e. 2012 and 2013).

			2010	**2011**	**2012**	**2013**
Investigations	**ML**	***Cases***	110	254	265	210
		Persons	90	162	185	174
	Self-laundering	***Cases***	1652	450	346	372
		Persons	829	249	168	237
Prosecutions	**ML**	***Cases***	52	107	120	93
		Persons	54	95	102	96
	Self-laundering	***Cases***	1450	245	165	291
		Persons	612	213	142	175
Convictions	**ML**	***Cases***	45	67	24	69
		Persons	37	63	30	67
	Self-laundering	***Cases***	409	135	5	106
		Persons	311	110	56	97

26. The statistics are helpful as far as they go and show that money laundering is being prosecuted and convictions are being achieved. Self-laundering is delineated separately. In 2012-2013 317 persons were prosecuted for laundering their own proceeds and 153 persons were convicted. ML cases, by which it understood to mean third party laundering cases are counted separately. Stand-alone ML cases appear to be included as a sub-set within these figures. 198 persons in total were prosecuted in 2012-2013 for third party laundering and 97 convictions were achieved. We understand that the number of stand-alone convictions increased from 2010-2013 from 9 cases to 24 in 2013 (the number of persons convicted on this basis has not been provided). Overall it is noted that there was a significant dip in convictions in 2012. Regardless of the numbers, little information has been provided on the types and quality of the third party cases that have been prosecuted. It is unclear whether any of these cases involve laundering by third parties on behalf of organised crime, similarly information has not been provided on the predicate offences, so overall it cannot be determined on a desk review how effective in practice ML criminalisation is, particularly in the continued absence of criminal liability for legal persons (see below). The Russian authorities are advised to review the statistics on third party laundering in advance of the next evaluation as part of their national risk assessment

in order to evaluate, in the context of the country's crime profile, how effective ML criminalisation is being in practice.

Special Recommendation II - Criminalisation of terrorist financing (rated LC in the MER)

Deficiency 1 identified in the MER *(Russia should establish the offence of theft of nuclear material and expand the terrorist financing offence to include this new offence).*

27. In the 3rd Round MER it was noted that theft of nuclear material prescribed in the nine Conventions and Protocols listed in the Annex to the TF Convention was not covered under the Russian Criminal Code.

28. As noted in the analysis of the 2nd progress report, this recommendation has been addressed by virtue of Federal Law No 197-FZ "On Amendments to Certain Legislative Acts of the Russian Federation in the AML/CFT Sphere" of 27 July 2010, which classified financing of crimes provided for in Art. 220 ("Trafficking in Nuclear Materials or Radioactive Substances") and Art. 221 ("Theft or Extortion of Nuclear Materials or Radioactive Substances") as terrorist financing.

29. This recommendation has therefore been addressed.

Deficiency 2 identified in the MER *(The Russian authorities should reconsider their position concerning the criminal liability of legal persons).*

30. At the time of the 3rd round assessment the Russian authorities maintained the view that they would be prevented by the principles set in the Constitution, as well as in the Criminal Code and Criminal Procedures Code to extend criminal liability to legal entities.

31. While in the 2nd progress report Russian authorities reported on discussions on the criminal liability of legal entities, which did not result in amendments to the Criminal Code of the Russian Federation, the situation seems to have changed. Following the accession to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Federal Law No.3-FZ dated 01.02.2012) all relevant Ministries and Departments have been instructed to consider the expediency and feasibility of establishing and imposing criminal liability on legal entities.

32. The issue of criminal liability of legal entities will be subject to consideration during the next on-site assessment.

Effectiveness

33. The following chart summarises the investigations, prosecutions and final convictions for TF offences for the period 2010 to 2013.

	Investigations	**Prosecutions**	**Final Convictions**
2011	17	5	4
2012	16	9	9
2013	10	2	1

34. It can be concluded from the above statistical data that the Russian Federation continues to conduct, on a regular basis, investigations, prosecutions of TF related cases, which result in convictions.

Recommendation 5 - Customer due diligence (rated PC in the MER)

Deficiency 1 identified in the MER *(Russia should ensure that the following issues are covered by law or regulation:*

(i) a specific prohibition on maintaining existing accounts under fictitious names

35. With the adoption of the Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 some measures have been taken to remedy the identified deficiency. The amendment stands as follows: credit organisations are prohibited to open and hold accounts (deposits) in the name of anonymous owners, i.e. without submission by the individual or legal entity opening the account (deposit) of any documents necessary for identification thereof, as well as opening and holding accounts (deposits) in the name of owners using fictitious names (assumed names). This provision is applicable only to Credit organisations and is not extended to other financial institutions. As stated by the Russian authorities, bank accounts are maintained only by credit institutions, however on a desk based review it is not clear whether the prohibition on maintaining accounts under fictitious names is applied by other financial institutions (e.g. stockbrokers) holding accounts or not and if not what the impact of this is.

36. While the text of the Law is somewhat confusing, on one reading it is clear that prohibiting accounts in fictitious names is provided for. The issue will be further analysed in the next evaluation in discussions with credit institutions.

(ii) a requirement to carry out CDD where there is a suspicion of money laundering, regardless of any exemptions,

37. As described in the 3rd round report the legislation provides no requirement to conduct CDD if the transaction does not exceed the specified threshold and one of the exemptions provided in the AML/CFT Law is applicable, regardless of whether there is a suspicion of ML or TF. As noted in the 2nd progress report, the requirement to undertake CDD when there is a ML/TF suspicion, regardless of exemptions, is provided under Article 7, item 1.1, which has been amended accordingly and stipulates that exemption from the obligation to conduct identification is not applied in case there are suspicions that the operation is conducted for the purpose of the legalisation (laundering) of criminally received incomes or for the purpose of financing terrorism.

38. Therefore the recommendation is addressed.

(iii) performance of CDD where there are doubts about the veracity of previously obtained customer identification data,

39. At the time of the 3rd round evaluation financial institutions were not required under law or regulation to conduct CDD in case of doubts about the veracity of previously obtained identification data. Article 7, item 1(3), as amended after the adoption of the 2nd progress report, explicitly requires financial institutions to update information about customers, customer representatives, beneficiaries and beneficial owners in case of doubt regarding reliability and accuracy of previously obtained information – within seven days following the day on which such doubt arises. This deficiency has been addressed.

(iv) a requirement to identify beneficial owners and in particular to establish the ultimate natural owner/controller

40. According to the amendments of the AML/CFT Law a new notion of “beneficial owner” has been incorporated in the Russian legislation. Relevant provision of the law defines beneficial owner as a “natural person who directly or indirectly (through third persons) owns a client – legal entity (have a controlling ownership interest in amount of 25%) or has a possibility to control the actions of a client”.

41. This new definition is consistent with FATF requirements.

42. Regulation of the Bank of Russia No. 375-P further details the notion of beneficial owner. Relevant explanations are also provided in the Letter (BoR Letter No. 14-T) issued by the Bank of Russia, in coordination with Rosfinmonitoring, although it is worth mentioning that the latter cannot be considered as a law or regulation.

43. While there is no clear provision which explicitly prohibits financial institutions from establishing (or continuing) a business relationship with a customer in those instances, where the ultimate beneficial owner cannot be determined, in the new provisions under the AML/CFT Law, Article 7, item 1 (2) it is stated that in case failing to identify the beneficial owner, the sole executive body[4] of the customer may be recognized as the beneficial owner. It is noted that in the Interpretative Note to Recommendation 10 of the 2012 FATF Recommendations and the FATF 2013 Methodology provide the possibility to identify the natural person holding senior managing position as a beneficial owner of a legal person, in case no natural person is identified as described under the relevant recommendation. This possibility is not provided for in the 2003 FATF Recommendations and 2004 Methodology. However this review takes note that the standards have been developed further since 2nd MONEYVAL progress report and notes that issues in relation to the reasonableness of measures actually taken by financial institutions to identify a natural person or persons as ultimate beneficial owners (before recourse to identifying a person in a senior managing position) will be addressed in the next full evaluation.

44. It can be concluded for the purposes that the provisions on beneficial owner identification are broadly consistent with FATF requirements.

v) requirements for conducting ongoing due diligence

45. Since the evaluation, a requirement has been put in place under AML/CFT Law, Article 7, item 1 (1.1), to obtain information about the purposes and assumed nature of their business relations with the organisation performing operations with funds or other property at admittance for servicing and during servicing of customers – legal entities, and on a regular basis take such measures for determination of purposes of economic activity, financial standing and business reputation of customers that are reasonable and practicable under the existing conditions.

46. This revision seems to cover the requirement to conduct ongoing due diligence. It does not, however, explicitly require conducting ongoing due diligence and this provision relates only to clients, which are legal entities. It is worth mentioning that according to the official English translation provided by the authorities the abovementioned provision is applicable to “clients”, while the respective provisions in their original Russian version refer to “clients–legal entities”, the reference to the relevant article in the progress report (page 19

[4] Sole executive body of the customer is the executive officer of the company (individual) entitled to act on behalf of the customer under the company charter.

of the progress report) also refers to corporate clients. In the additional comments provided by the Russian Federation, the authorities explained that, while the requirement to obtain information on the purpose and intended nature of business relations relates to clients-legal entities, the requirement to determine the purpose of the economic activity, financial standing and business reputation of customers is extended to all customers. However this interpretation was not supported in the explanations provided under the initial progress report. Thus in a desk review it cannot be determined how this requirement will be applied in practice.

47. Additional measures pointed out by the Russian authorities are included in the clause 2.11 of BoR Regulation No.262-P "On Identification by Credit Institutions of Customers and Beneficiaries for the AML/CFT Purposes" a credit institution is obliged to update customer and beneficiary identification information and review level (degree) of risk each time when such information or risk level (degree) changes, but at least once a year. At the same time, whenever there are doubts about veracity and accuracy of previously obtained information recorded in the institution's internal documents in compliance with the corporate internal control rules, such information should be updated within seven business days following the date when such doubts arose. Credit institutions may also review and reassess the risk level (degree) in other situations in a manner and within timelines established by them.

48. It is worth mentioning that at the last evaluation, ministerial and governmental decrees, agency regulations were only considered to constitute "other enforceable means" within the AML/CFT Methodology[5].

49. However the reviewers have taken note of the comment of the Russian authorities that governmental and ministerial decrees impose mandatory requirements and on a desk based review this would appear to constitute law or regulation. There clearly has been progress on these issues, though there remain some open issues which will need to be examined in the next onsite visit and assessment.

<u>Deficiency 2 identified in the MER</u> *(The following matters should be set out in law, regulation or other enforceable means:*

(i) requirement for non-CIs to understand the ownership or control structure of a legal person

50. The Decree 967–R of 10 June 2010, which according to the analysis of the 2nd progress report addressed the relevant requirement, is no longer effective since the adoption of a new Decision of the Government 667-R "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" of 30.06.2012.

51. According to the Decision 667, "the Identification Programme may additionally include a provision for establishing and recording the following data received by the company in accordance with clause 5.4 of Article 7 of the Federal Law:… the composition and structure of the managerial bodies of the legal entity ".

52. The new regulation provided under the Decision 667 sets a discretionary obligation for non-CIs to include in the Identification Program for establishing and recording data on the composition of the founders (members) and the composition and structure of the managerial bodies of the legal entity.

[5] See paragraph 13 of the 3rd round report.

53. Taking into account the discretionary nature of the requirement the recommendation is not fully observed.

(ii) requirement to ascertain the purpose and intended nature of the business relationship

54. The Decree 967–R of 10 June 2010, which according to the analysis of the 2nd progress report addressed the relevant requirement, is no longer effective since the adoption of a new Decision of the Government 667-R "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" of 30.06.2012.

55. As mentioned in the analysis under paragraph 46, since the evaluation, a requirement has been put in place under AML/CFT Law Article 7, item 1 (1) to obtain information about the purposes and assumed nature of their business relations with the organisation performing operations with funds or other property, and on a regular basis take such measures for determination of purposes of economic activity, financial standing and business reputation of customers that are reasonable and practicable under the existing conditions. However this requirement relates only to clients, which are legal entities.

56. The Russian authorities also referred to further requirements under Requirements for Internal Control Rules (RF Government Decision No.667 dated 30.06.2012), according to which the risk assessment program should include the procedure of assessing and assigning the level (degree) of risk to a customer in compliance with the customer identification requirements. The level (degree) of risk should be assessed and assigned:

    a) when establishing business relationship with a customer;
    b) when executing customer's transactions;
    c) in other situations as may be determined by an institution and specified in its internal control rules.

57. As stated by the authorities the aforementioned measures enable financial institutions (along with implementation of the internal control rules) to perform a number of checks and verifications of a customer, inter alia, to examine purpose and intended nature of business relationship.

58. While there is a degree of progress aimed at addressing the recommendation, there is scope for further amendments to put beyond doubt that this requirement applies for all customers.

(iii) requirements for the timing of verification of identification

59. With the adoption of The Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 obligation for a financial institution to complete identification of a client, client's representative and/or beneficial owner before the establishment of a business relationship is introduced. Therefore, the institution is not allowed to begin a business relationship or conduct an occasional transaction before completion of identification and verification (Article 7, item 1(1)).

60. This deficiency has been addressed.

(iv) consequences of a failure to conduct CDD

61. At the time of the on-site visit, credit institutions were allowed under the law to refuse to open an account when a person or legal entity fails to submit identity documents, or if invalid documents are submitted or if the customer is linked to terrorist activity. Credit institutions were also permitted to reject a transaction in the absence of the required

documentation or if the customer was linked to terrorist activity. However this did not extend to incoming funds, which the report considered an apparent potentially significant omission. Other financial institutions were not able to close accounts on the basis of AML/CFT risk (except for non-face to face customers). The lack of rules in this area covering non-credit institutions was considered in the MER to be an important omission.

62. Item 11 of Article 7 as amended by Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 states that **organisations performing operations with funds** or other property shall be entitled to refuse fulfilment of the customer's order to perform an operation (except for operations pertaining to crediting of funds received to the account of an individual or legal entity), in relation to which no documents required to record information according to provisions of the Federal Law were provided. Thus, it extends the possibility to refuse fulfilment of transactions to all reporting entities.

63. However some deficiencies still remain which inhibit full implementation of the requirements. First, the language of the provision provides the opportunity for reporting entities to refuse the transaction, while the criterion uses words "should not be permitted". Hence the discretionary language of the Article does not ensure full compliance with the recommendation. Furthermore the exception provided in the article, does not extend the requirement on refusal to incoming funds, which the 3rd round report considered an apparent potentially significant omission.

64. Although Article 7, Item 11, extends the provisions on refusal of the operations to all organisations performing operations with funds, Item 13 of the same Article, which prescribes the requirement to submit information on refusal to the authorised body, is applicable to credit institutions.

65. It should also be mentioned that the requirement to refuse to open accounts by CIs is abolished and the Item 5.2 of Article 7 stands as follows:

> "Credit institutions shall be entitled to:
>
> refuse concluding an account (deposit) agreement with an individual or a legal entity according to internal control regulations of the credit institution's, if there are any suspicions that the purpose of such agreement is performance of operations for the purposes of money laundering and financing of terrorism;
>
> terminate the account (deposit) agreement with the customer, if two and more decisions to refuse fulfilment of the customer's order regarding performance of operations on the basis of Item 11 of this Article are adopted within one calendar year."

66. The Provision, which prescribes the authority to terminate the business relationship, specifies that this will be applied in case "two and more decisions to refuse" are adopted, while the standard does not contain such condition.

67. While several efforts are undertaken to insure compliance with the recommendation it is not fully addressed. Some progress on the important omissions identified in the MER on the consequences of failure to conduct CDD measures has been achieved since the evaluation. Overall this has been partially addressed.

<u>Deficiency 3 identified in the MER</u>

(i) <u>Enhanced and Simplified Due Diligence (SDD) (</u>*Requirements relating to enhanced and simplified due diligence should be clarified, in particular the exemptions from conducting CDD in situations relating to occasional transactions)*

68. The Decree 967–R of 10 June 2010, referred to under analysis of the 2nd progress report, is no longer effective since the adoption of a new Decision of the Government 667-R "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" of 30.06.2012. The latter prescribes that internal control rules of organisations carrying out transactions in amounts of money or other property and sole traders should include a programme for assessing the degree/level of the risk of client's transactions related to the legalisation (laundering) of proceeds of crime and financing of terrorism.

69. The Risk Assessment Programme is required to include a provision for assessment of clients' risks based on signs of transactions, types and conditions of activity that have a high risk of clients' concluding transactions for the purposes of legalising (laundering) of proceeds of crime and financing of terrorism, with account being taken of recommendations of the Financial Action Task Force (FATF).

70. The Risk Assessment Programme is also required to contain a provision covering the procedure for and the frequency of monitoring of clients' transactions/deals for the purposes of assessing the degree/level of risk and subsequent control over its variation.

71. Federal Law N 110-FZ defines simplified due diligence as the mechanism of simplified identification of individuals. According to these amendments the simplified identification of a client being a natural person, may be conducted when money is remitted on the instructions of a client being a natural person without the opening of a bank account. Amended AML/CFT Law, Article 7, item 1.11 provides the following conditions for application of SDD, which should exist simultaneously:

   - the transaction is not subject to mandatory control under Article 6 of the AML/CFT Federal Law (<u>transactions subject to mandatory control include *inter alia* transactions with customers from countries which are not-compliant with the FATF recommendations</u>). However in respect of clients who are natural persons there should be no information received in the procedure established in accordance with the Federal Law according to which he/she is involved in extremist activities or terrorism;
   - employees of the organisation that carries out transactions in funds or another property do not suspect that the purpose of the client being a natural person is to carry out transactions for the purposes of legalising incomes received through crime (money laundering) or financing terrorism;
   - the transaction does not have a tangled or extraordinary character that testifies to the lack of an obvious economic sense or an obvious legal purpose, and the conclusion of said transaction renders no ground for believing that the purpose is to evade the mandatory control procedures envisaged by the present Federal Law.
   - If doubts occur as to the reliability of the information provided by the client being a natural person within the framework of simplified identification, and equally if suspicion occurs that the transaction takes place for the purposes of legalising incomes received through crime (money laundering) or financing terrorism then the organisation that carries out transactions in funds or another property shall identify said client in the procedure defined by Item 1 of the present article.

72. While the deficiency appears to have been broadly addressed, it cannot be determined in a desk review, whether it is reasonable to allow application of SDD for money remittance transactions conducted by natural persons without the opening of bank accounts in the enumerated cases and whether they comply with the requirements for lower risks of money

laundering or terrorist financing. However the SDD will not be applied in most of the cases when high risk scenarios are.

(ii) Legal arrangements from overseas *(Further guidance to FIs on dealing with legal arrangements from overseas would be helpful)*

73. The National Action Plan for fighting tax evasion and concealment of beneficiary owners includes potential implementation of the following measures applicable to trusts and other legal arrangements, including foreign ones (the Russian authorities have confirmed that draft amendments to the existing national legislation have been prepared):

- oblige foreign organisations operating in the Russian Federation to disclose information on their ownership structure and ID data of their owners;
- establish in the RF legislation prohibition for the Russian residents to transfer their assets into trusts or similar arrangements if the latter do not meet the transparency requirements;
- establish legal regulation of operation in the Russian Federation of unincorporated arrangements (trusts, foundations, partnerships and other collective investment schemes) established under the foreign legislation which, according to their by-laws, are entitled to perform business operations for deriving income (profit) for their members, founders, beneficiaries, shareholders, trustees and other persons.

Deficiency 4 identified in the MER *(A stronger link in the AML/CFT Law should be established between the need to ascertain whether a customer is acting on behalf of another person and the requirement to collect identification data. Further clarification in the AML/CFT Law on the meaning of the term "beneficiary" and the measures which financial institutions should take to comply with the measures would be helpful).*

(i) Link in AML/CFT law between the need to ascertain whether a customer is acting on behalf of another person and the requirement to collect identification data

74. As stated in the Analysis of the 2nd progress report, the AML/CFT law now makes it clear that identification is defined as the entirety of measures whereby the information about clients, their representatives and beneficiaries is established and the reliability of such information is confirmed (or verified). It is implied from this formulation that, as there may be a difference in practical situations as to whether the person presenting himself in a bank (or financial institution) is a client, representative or beneficiary, it is incumbent on the institution to establish whether he is acting for himself or on behalf of another person. This aspect of the evaluators' recommendation appears to have been fulfilled.

(ii) Further clarification of the term "beneficiary" and the measures which the financial institutions should take to comply with the measures would be helpful

75. The term "beneficial owner" is defined in the law. As provided under Deficiency 1 (iv) the provisions on beneficial owner identification are broadly consistent with FATF requirements.

Deficiency 5 identified in the MER (Russia should develop further guidance for financial institutions to enable appropriate identification of legal formations as the financial sector is expanding and becoming more international).

76. Please refer to the explanations provided under Deficiency 1 (iv) and Deficiency 3 (ii).

Effectiveness

77. Overall, based on the statistical data provided by the authorities on AML/CFT sanctions imposed by the competent authorities (tables 14-16) it can be concluded that the authorities

have identified a number of AML/CFT violations. As provided in the additional information submitted by the Russian authorities 30% of sanctions imposed by the Central Bank related to breaches of CDD requirements. The effectiveness of the implementation of CDD requirements in Russia will be subject to assessment in more detail during the next on-site evaluation.

78. As for the sanctions imposed on financial institutions (and DNFBPs) for not identifying beneficial owners and establishing business relationships without identifying beneficial owners, while Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 has amended Article 15.27 of the Code of Administrative Offences and now establishes liability of institutions/ entities engaged in transactions with funds or other assets for failure to provide information on transactions of their customers and beneficial owners of customers or information on customer account (deposit) activity requested to the designated AML/CFT authority, it is not clear whether the sanctions for violations mentioned above have been applied by the competent authorities in respect of failure to identify beneficial owners.

Recommendation 10 - Record Keeping (rated LC in the MER)

Deficiency 1 identified in the MER *(Russia should close gaps in its legal system concerning data storage)*

79. The assessment team found that financial institutions were generally complying with record keeping requirements. The main gap was that account files and business correspondence were only kept for 5 years from their creation and not from the termination of the business relationship.

80. The Decree 967–R of 10 June 2010, which according to the analysis of the 2nd progress report addressed the relevant requirement, is no longer effective with the adoption of a new Decision of the Government 667-R "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" of 30.06.2012.

81. The new Decision provides for requirements on the information subject to storage which inter alia prescribes obligation to maintain (for at least five years after relationships with a client are terminated) documents concerning the activities of the client (to the extent defined by the company), for instance business correspondence and other documents at the company's discretion, as well as any other documents received as a result of application of the Internal Control Rules. However it should be noted that the latter is not applicable with regard to credit institutions and it is difficult to conclude on desk based review whether it encompasses all the records on transactions, both domestic and international as required under relevant criterion.

82. It is worth mentioning that in the last evaluation, ministerial and governmental decrees, and agency regulations were only considered to constitute "other enforceable means" within the AML/CF Methodology[6].

83. However the reviewers have taken note of the comment of the Russian authorities that governmental and ministerial decrees impose mandatory requirements and on a desk based review this would appear to constitute law or regulation.

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[6] See paragraph 13 of the 3rd round report.

Deficiency 2 identified in the MER *(Russia should revise the AML/CFT Law to include all the requisite requirements for information storage, even if this would duplicate the requirements established in other laws).*

84. While improvements aimed at addressing the recommendation of the assessment team have been undertaken, it cannot be concluded on a desk based review whether the issue raised in the report is fully addressed.

Effectiveness

85. The effectiveness of R.10 was not a matter of concern under the MER. The effective implementation of amended legislative requirements will be considered in more detail in upcoming on-site assessment.

Recommendation 13 – Suspicious transaction reporting (rated LC in the MER)

Deficiency 1 identified in the MER *(Russia should criminalise insider trading and market manipulation, so as to enable FIs to report STRs based on the suspicion that a transaction might involve funds generated by the required range of criminal offences).*

86. As mentioned earlier this deficiency has been remedied. Thus FIs are required to report STRs in case of suspicions of proceeds generating from market manipulation or insider trading.

Deficiency 2 identified in the MER *(Russia should finally introduce the obligation to report transaction attempts by one-time customers).*

87. The mutual evaluation found that AML/CFT Law does not explicitly refer to attempted transactions.

88. Federal Law No.134-FZ "On Amendments to Certain Legal Acts of the Russian Federation on Counteracting Illicit Financial Transactions" dated 28.06.2013 amended item 2 of article 7 of the AML/CFT Law to include obligation for reporting entities to maintain records on customers' refusal to perform a non-recurrent operation, which is suspected by the organisation employees to be performed for the purposes of money laundering or financing of terrorism.

89. Item 3 of Article 7 requires the organisation that carries out transactions in funds or another property to forward to the authorised body information on operations, in case they have got any suspicions resulting from realisation of the internal control programs that some operations are performed for purposes of legalisation (laundering) of proceeds from crime and financing of terrorism. Thus it appears to cover inter *alia* attempted transactions of occasional customers.

90. Item 13 of the same article defines the obligation of the CIs to document and submit to the authorized agency information about all cases of **refusal on the grounds stipulated** herein to conclude agreements with customers and (or) fulfil customer's orders to perform operations, as well as about all events of termination of agreements with customers on the initiative of the credit institution, within the business day following the day of the above actions under the procedure established for credit institutions by the Central Bank of the Russian Federation as agreed with the authorized agency.

91. Grounds stipulated under the same Article define that CIs shall be entitled to refuse concluding an account (deposit) agreement with an individual or a legal entity according to internal control regulations of the credit institution's, if there are **any suspicions that the purpose of such agreement** is performance of operations for the purposes of money laundering and financing of terrorism; terminate the account (deposit) agreement with the

customer, if two and more decisions to refuse fulfilment of the customer's order regarding performance of operations on the basis of Item 11 of this Article are adopted within one calendar year.

92. These two grounds for refusal of an operation relate to cases when the refusal is initiated by the CI. It is worth mentioning that Item 13 does not apply to non-credit financial institutions.

93. It is difficult to assess on a desk review how the requirement to report attempted transactions is applied in practice. The reporting of attempted transactions by one-off customers and attempted transactions that have been aborted before the financial institution refuses them is addressed in the legislation on the basis of a desk review. However the requirement to report attempted transactions not initiated by the customer is applicable only with regard to CIs. The Russian authorities should reflect further on this issue before the next assessment and further clarify the requirements

94. Deficiency 3 identified in the MER *(Russia should raise the awareness in the non-CI FIs, at a minimum through an enhanced training programme. The training should not only focus on the legal obligations, but also include the reasons for establishing an AML/CFT system, as well as* examples, typologies and cases).

95. As reported by the Russian authorities efforts aimed at awareness raising through the training programs were continued. Training and professional development training was organised for representatives of Roscomnadzor.

96. As stated by the Russian authorities from the period from 2010 to 2013 training programs were organised for around 39,000 representatives of non-CI financial institutions.

97. Specialists of Rosfinmonitoring and the International Training and Methodology Center for Financial Monitoring (ITMCFM) regularly take part in the training events in the capacity of instructors/trainers.

Effectiveness

98. The following chart sets out the number of STRs received from reporting entities. Over the period from 2008 to 2013 there has been a marginal improvement in the overall volume of STRs received but there has been no real change in the levels of reporting from non-credit institutions.

99. With regard to DNFBPs, there are also a number of reports submitted, mainly from the real estate agents, dealers in precious metals and stones, lawyers, notaries and persons providing legal or accounting services and casinos.

STRs	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
CIs	5,368,717	3,830,132	4,441,210	5,453,599	6,004,443	5,976, 195
Non-CIs						
Securities markets	4,070	3,281	52,175	14,006	15,012	9,831
Investment and pension funds	1,382	601	645	892	213	337

Post of Russia	33,865	9,585	8,484	23,142	29,103	16,313
Insurance sector	515	847	1,634	1,066	1,280	1,995
Leasing companies	3,137	2,537	2,185	1,939	1,594	2,162
Total Non-CIs	42,969	16851	65,123	41,045	47,202	30,638
Total FIs	5,411,686	3,846,983	4,506,333	5,494,644	6,051,645	6,006,833
DNFBPs						
Dealers in precious metals and precious stones	2,896	1,894	396	320	958	485
Casinos	569	343	0	0	118	125
Real estate agents	871	409	152	278	1,416	2,822
Lawyers, notaries and persons providing legal or accounting services	319	128	28	22	40	35
Total DNFBPs	4,655	2,774	576	620	2,532	3,467
Total STRs Received	5,416,341	3,849,757	4,506,909	5,495,264	6,054,177	6,010,300

100. The following table indicates that the number of submitted reports transferred to law enforcement agencies.

Year	Notifications to Law Enforcement/ Prosecutions
2008	55,121
2009	54,409
2010	46,321
2011	59,581

2012	109,665
2013	121,044

101. As indicated in the additional information provided by the Russian authorities 55 STR based convictions were issued for the period from 2013 to 2014:

102. On a desk review it can be concluded, that there is evidence of a satisfactory level of reporting by credit institutions.

103. Analysis of disclosures made by the reporting entities will be necessary on the basis of additional information before being able to formulate an opinion on the quality of reports and to assess the effectiveness of implementation of the reporting obligation by reporting entities.

Special Recommendation IV– Suspicious transaction reporting related to terrorism (rated PC in the MER)

104. There were three deficiencies, which contributed to the rating of PC. Two of them have already been discussed above: the problem relating to attempted suspicious transactions involving financing of terrorism has been partially addressed; and the shortcoming in the criminalisation of terrorist financing, which limited the reporting obligation, has been covered.

(other) deficiency identified in the MER *(Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs).*

105. The evaluators had noted an absence of guidance on terrorist financing.

106. As mentioned in the secretariat analysis of the 2nd progress report the Russian authorities pointed to Rosfinmonitoring Order No. 103 of May 2009 on approval of the Recommendations concerning the Development of Criteria for Detecting and Identifying the Indicators of Unusual Transactions related to ML/TF.

107. As subsequently indicated by the Russian authorities the Order No. 103 has been amended in 2011, 2012, 2013 and 2014.

108. The Bank of Russia and Rosfinmonitoring issued recommendations for detecting TF related transactions.

Effectiveness

109. As mentioned in the secretariat analysis of the 2nd progress report figures for STRs declined in 2010, it is worth noting that the number of TF related STRs (and mandatory reports) submitted increased slightly since the adoption of the 2nd progress report from 3,591 in 2011 to 4,806 in 2012 and 4,479 in 2013.

110. In 17 cases in 2011, 16 cases in 2012 and 10 cases in 2013 TF investigations contained materials provided by the FIU. However from the statistics provided it is not clear whether the FIU input was based on the information contained in the STR or not. It is also not clear whether those cases resulted in a further transfer of the case to the court and final convictions. Thus it cannot be concluded whether the TF regime is fully effective.

111. The effectiveness of the TF related STR regime will be considered in details in the on-site assessment.

1.3. Main conclusions

112. Since the adoption of the third 3rd round progress report the authorities have taken a number of steps to deal with the identified deficiencies and related recommended action points as set out in the MER.

113. With regard to Recommendation 1, the threshold for criminalisation of self-laundering is removed thus Russia has addressed the technical deficiencies related to Recommendation 1. However, from a desk based review, there are some concerns on the current effectiveness of the application of the ML offence. Third party ML cases need to be examined by the authorities with a view to any remedial action in advance of the next evaluation.

114. With regard to Recommendation 5, the CDD requirements have been revisited through legislative amendments; it is notable that notion of "beneficial owner" has been clarified in the AML/CFT Law.

115. A number of steps have been taken to improve the reporting regime. Namely efforts aimed at defining obligation to submit STRs on attempted transactions were developed. However as the issue is regulated under different provisions of the Law it is difficult to assess on a desk based review how this issue is applied in practice and, as it appears to the reviewers that the legislation does not fully cover reporting attempted transactions by all financial institutions, it is recommended that the legislation on this point be reviewed in advance of the next evaluation.

116. Overall it is considered that the Russian Federation has taken number of measures to implement the recommendations made in the MER with respect to the Core Recommendations, though there remain some issues to address as set out above.

117. As a result of the discussions held in the context of the examination of this third progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 12 (6) of the Rules of procedure, the Plenary decided not to request Russia to report back under the 3rd round of evaluations, while retaining the discretion to revisit this decision should the next round evaluation be postponed beyond 2017.

MONEYVAL Secretariat

2. *Information submitted by the Russian Federation for the third 3rd round progress report*

2.1. *General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field*

Position at date of first progress report (September 2009)

Following the Third Round Evaluation of the Russian AML/CFT system completed in July 2008, FATF/MONEYVAL/EAG experts offered a number of recommendations to improve the existing laws and enforcement measures. Under FATF Regulations, the Russian Federation must take specific measures to ensure continued development of the system and present a progress report at the MONEYVAL Plenary in 2009, EAG Plenary in 2009 and FATF Plenary in 2010.

Implementing such measures Russia expects to achieve maximum compliance of its national AML/CFT system with FATF 40 + 9 Recommendations. This involves ongoing efforts that take into account the system performance, the needs for improvement detected in the course of law enforcement practice, as well as comments and recommendations made by FATF, MONEYVAL and EAG experts.

Immediately following the Third Round Evaluation, in July 2008 Rosfinmonitoring and other competent Russian authorities started developing an Action Plan to improve the Russian AML/CFT system taking into account recommendations contained in the FATF Report on the Russian Federation.

The prepared Action Plan was coordinated with the Council of Europe experts during consultations as part of the AML/CFT Interagency Commission meetings (St. Petersburg, 4-5 September 2008). After final revision, the Action Plan was endorsed by the Prime Minister of the Russian Federation (order of the Russian Government dated 10 November 2008, No. VP-P13-6722). The Russian Government took the implementation of the Action Plan under its special control.

The Action Plan spanned six months – from 1 January 2009 to 30 June 2009. The measures were implemented with the participation of all Russian authorities involved in the AML/CFT system, including the Federal Financial Monitoring Service (Rosfinmonitoring), Bank of Russia (BoR), General Prosecutor's Office (GPO), Ministry of Internal Affaires (MIA), Federal Security Service (FSS), Ministry of Finance (MoF), Ministry of Justice (MoJ), Federal Customs Service (FCS), Federal Service for Financial Markets (FSFM), and others. Representatives of financial institutions (FIs), professional communities, non-financial professions, and research institutions were engaged in the implementation of the Action Plan.

The Action Plan covered all aspects of the AML/CFT system and it included taking specific measures to:

1) improve legislation;

2) improve the activity of law enforcement agencies and FIU;

3) improve supervision over the sectors of FIs, non-financial professions, and non-profit organizations;

4) develop the system of personnel education and training for purposes of the AML/CFT purposes.

Furthermore, the Action Plan prescribed the authorities to analyze a number of the most topical AML/CFT issues and submit proposals for their solution to the Russian Government.

As of 30 June 2009, the Action Plan was implemented completely.

In our opinion we managed to achieve a number of important results that contribute to the effectiveness and performance of the overall AML/CFT system as well as raise the level of compliance of its certain elements with the FATF Recommendations.

The results are presented in this progress report.

It is noteworthy that implementation of this Action Plan was one of the main, but far from only, measures taken by the Russian Federation to implement the recommendations of evaluators team. The results of other measures are also reflected in the progress report.

Position at date of second progress report (September 2011)

Since June 2010 the Russian Federation has introduced AML/CFT-related amendments to:

- Federal Law No.115-FZ On Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism (the AML/CFT Law);
- Law of the Russian Federation No.4015-1 On Organization of Insurance Business in the Russian Federation;
- Federal Law No.395-1 On Banks and Banking Activity;
- Federal Law No.244-FZ On State Regulation of Activities Related to Organization and Carrying Out Gambling, and Regarding Introduction of Amendments to Some Legislative Acts of the Russian Federation;
- Russian Federation Code on Administrative Offences;
- Criminal Code of the Russian Federation;

These laws are generally aimed at further harmonization of the Russian legislation and bringing it in line with the FATF Recommendations. Amendments to the laws listed above are reflected in Annex 3 hereto.

The Russian Federation adopted Federal Law No.224-FZ of July 27, 2010 “On Combating the Misuse of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation” which establishes and regulates in detail liability of institutions/organizations and individuals for insider trading.

Recommendation 5: In order to further improve the efficiency of the identification procedures Federal Law No.176-FZ “On Amendments to the Federal Law on Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism and to the Russian Federation Code on Administrative Offences” dated July 23, 2010 was adopted. The Law introduced the following new definitions: “beneficiary” and “identification”. Besides that, according to this Law the dates of birth of a customer, customer’s representative and beneficiary are added to the list of information to be ascertained for the identification purposes, which allows to avoid confusion in case of names matching.

The requirements concerning identification of beneficial owners have been expanded. In particular, Federal Law No.176-FZ directly establishes the obligation to identify beneficial owners. Decree of the RF Government No.967-r of 10.06.2010 requires that in the course of identification of legal entities special attention should be paid to the following issues:

a) the list of the legal entity’s founders (shareholders);

b) the structure of the legal entity’s management bodies and their powers;

c) the size of registered and paid-up authorized (share) capital or the size of authorized fund and the value of assets of a legal entity.

Shortcomings in the criminalization of terrorist financing specified in the MER of the Russian Federation are eliminated by a newly adopted Federal Law No.197-FZ dated 27.07.2010 “On Amendments to Certain Legislative Acts of the Russian Federation on Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism” and by the aforementioned Federal Law No.224-FZ. Federal Law No.197-FZ envisages that terrorist financing includes financing of offences related to illegal actions with nuclear materials (Articles 220 and 221 of the Criminal Code).

In relation to the criminalization of ML Federal Law No.224-FZ imposes criminal liability for misuse of insider information (Article 185.3 “Market Manipulation” of the Criminal Code is revised and new Article 185.6 “Misuse of Insider Information” is added to the Criminal Code).

Rosfinmonitoring issued Order No.203 dated 03.08.2010 (as amended by Order No.293 dated 01.11.2010), which established the requirements for AML/CFT training and education of the personnel of financial institutions engaged in transactions with monetary funds or other property.

Federal Law No.176-FZ strengthens the administrative liability of institutions carrying out transactions with monetary funds or other property and/or their executive officers for failure to comply with the AML/CFT legislation, which involves either an warning or imposition of an administrative penalty on executive officers in the amount from ten thousand to fifty thousand rubles, or disqualification for a period of up to three years; on legal entities – imposition of administrative penalty in the amount from twenty thousand to one million rubles, or administrative suspension of activity for a period of up to ninety days. Thus, administrative liability of executive officers is enhanced both through increasing the amount of penalty and introduction of disqualification.

According to the aforementioned Law a new provision is added to Article 15.27 of the Code on Administrative Offences which establishes administrative liability of an institution carrying out transactions with monetary funds or other property for failure to comply with the AML/CFT legislation, which has entailed laundering of criminal proceeds or financing of terrorism ascertained by valid court decision.

These amendments and modifications allow to cover all possible types of AML/CFT Law violations in terms of both organization and implementation of AML/CFT internal control including implementation of the internal control programs and procedures, fulfillment of the customer and beneficiary identification requirements, documenting and filing information with the designated authority as well as personnel training and education.

Besides that, Federal Law No.176-FZ empowers supervisory authorities operating in their respective sectors to take administrative actions against organizations and their executive officers. As a result all supervisory authorities now have direct powers to impose administrative sanctions (previously this was done through Rosfinmonitoring).This significantly improves effectiveness and efficiency of supervision.

Pursuant to the provisions of Federal Law No.197-FZ dated 27.07.2010 "On Amendments to Certain Legislative Acts of the Russian Federation on Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" the list of persons involved in terrorist financing is publicly available now. In June 2011, it was published in the Government edition – the Rossiyskaya Gazeta. On one hand, such measure helps to prevent terrorist financing by informing a wide range of organizations and individuals about potential participant of this illegal activity. On the other hand, persons mistakenly included in this list may timely become aware of this and require Rosfinmonitoring to delist them. This significantly enhances the level of protection of their rights. There is already one precedent of this. Besides that, Federal Law No.197-FZ establishes the grounds for delisting persons who pose no more threat to public safety and security.

According to Federal Law No.162-FZ the time period for which Rosfinmonitoring can independently freeze a FT-related suspicious transaction is increased from five to thirty days. Besides that, a mechanism of unlimited freezing of assets of persons suspected of terrorist financing was introduced. This mechanism is implemented according to a court decision made in course of civil legal proceedings initiated by application from Rosfinmonitoring.

The Government of the Russian Federation continuously pays particular attention to improvement of functioning of the AML/CFT system and operation of the law enforcement and supervisory agencies involved in. Special attention is focused on elimination of deficiencies revealed by the FATF experts/assessors in the course of mutual evaluation. To further enhance these efforts across the entire territory of the Russian Federation the Government of the Russian Federation and the Administration of the President of the Russian Federation tasked Rosfinmonitoring with arranging for and holding meetings with the government agencies operating within the AML/CFT system framework in all Federal Districts. Such meetings were held in March – April 2011 in a number of cities including those visited by the FATF, MONEYVAL and EAG experts/assessors (Moscow, St. Petersburg, Rostov-on-Don, Nizhny Novgorod, Yekaterinburg, Novosibirsk and Khabarovsk). The meetings were jointly chaired by the Head of Rosfinmonitoring and the Plenipotentiary Representatives of the RF President in respective Federal Districts. Officials and officers–in-field from almost all law-enforcement, supervisory bodies, prosecutor's offices and the Central Bank participated in these meetings. The round tables were arranged at the meetings for field personnel to share the best practices. It is expected that such meetings will be held in future since they help to optimize the AML/CFT system functioning.

A number of other organizational and administrative measures have been taken. Details are provided in the report.

New developments since the adoption of the second progress report

Since June 2012, Russia has amended the current national AML/CFT legislation.

For eliminating deficiencies in implementation of the FATF Core and Key Recommendations Federal Law No.134-FZ dated 28.06.2013 "On Amendments to Certain Legislative Acts of the Russian Federation Pertaining to Combating Illicit Financial Transactions" (hereinafter – Federal Law No.134-FZ) was drafted and adopted. This Law removed the threshold amount established in Article 174.1 of the RF Criminal Code and designated tax crimes as predicate offences. The new term, "beneficial owner", which definition is, consistent with that provided in the FATF Forty Recommendations Glossary, was introduced into Federal Law No.115-FZ "On Combating Legalization (Laundering) of Criminal Proceeds and Financing of Terrorism" dated 07.08.2001(hereinafter – the AML/CFT Law). The new requirements for institutions engaged in transactions with funds and other assets to identify beneficial owners and for customers to provide information on their beneficial owners were established. Besides that, it is now prohibited to maintain anonymous accounts and accounts in fictitious names; financial institutions and DNFBPs are now obliged to report attempted occasional transactions; and it is now prohibited to open and maintain accounts (deposits) using pseudonyms (pen names).

The aforementioned Law is also intended for improving the mechanism of freezing of assets of persons linked to terrorist activities. New terms, such as "blocking (freezing) of funds or uncertified securities" and "blocking (freezing) of other assets", were introduced in the AML/CFT Law. Moreover, in a situation where an entity or an individual is reasonably suspected of being linked to financing of terrorism, but do not qualify for designation (inclusion in the list of entities and individuals known to be linked to extremist activity or terrorism) on the grounds set forth in clause 2 of Article 6 of the AML/CFT Law, a decision to block (freeze) funds or other assets of such entity or individual may be made, especially if information about possible association of such entity or individual with terrorist financing is filed by a foreign competent authority with the Russian designated AML/CFT authority. Such decision is made by and sufficiency of the grounds to suspect an entity or an individual of being linked to terrorist financing is determined by the interdepartmental CFT coordination authority. The Statute of and membership in the interagency CFT coordination authority is adopted by the RF President.

Federal Law No.134-FZ also amends the Federal Laws "On Securities Market", "On Microfinance Activity and Microfinance Organizations", "On Finance Lease", "On Non-Government Pension Funds", "On Insurance Activity in the Russian Federation" and "On Government Registration of Legal Entities and Individual Entrepreneurs". These amendments are aimed at elimination of deficiencies identified by the FATF experts in course of assessment of compliance of the Russian AML/CFT system with FATF Recommendation 23 and, in particular, prohibit persons with criminal record from holding executive positions in leasing and insurance companies and also establish more stringent procedure of registration of legal entities for enhancing transparency of their (ownership or control) structure.

The same goals are pursued by Federal Law No.146-FZ dated 02.07.2013 "On Amendments to Certain Legislative Acts of the Russian Federation" according to which the percentage of shares (participating interest) which acquisition requires consent (approval) of the Bank of Russia is reduced from 20 to 10 percent. Besides that, in order to eliminate deficiencies in compliance with Recommendation 5 Federal Law No.134-FZ clarifies the obligation of financial institutions and DNFBPs to understand nature and intended purpose of establishing business relationship by a customer and to record the relevant information and update it on a regular basis.

In pursuance of both Laws a number of other laws and regulations were adopted.

To deter the anonymous payment and enhance liability of legal entities Federal Laws No.110-FZ dated 05.05.2014 and No.130-FZ dated 05.05.2014 on Amendments to Certain Legislative Acts of the Russian Federation were adopted. These Laws established tougher requirements for electronic remittances, introduced the "simplified identification" mechanism and imposed administrative liability of legal entities for financing of terrorism.

In accordance with Federal Law No.251-FZ dated June 23, 2013 "On Amendments to Certain Legislative Acts of the Russian Federation following Assignment of Financial Markets Regulation, Monitoring and Supervision Powers to the Central Bank of the Russian Federation" the Bank of Russia is empowered to regulate, monitor and supervise operations of non-credit financial institutions since September 1, 2013.

Among non-credit financial institutions supervised by the Bank of Russia that are listed in Article 76.1 of the Federal Law on the Central Bank of Russian Federation (Bank of Russia), the requirements set forth in the AML/CFT Law apply to the following entities:

1) Professional securities market players;

2) Investment fund and non-government pension fund management companies;

3) Insurance companies;

4) Non-government pension funds;

5) Microfinance organizations;

6) Consumer credit co-operatives;

7) Agricultural consumer credit co-operatives;

8) Pawnshops

For information: Currently Russia implements the interdepartmental National Action Plan for fighting tax evasion and concealment of beneficiary owners of companies aimed at implementing the revised FATF Recommendations, the G8 Decisions made in June 2013 in Lough Erne and the G20 Declaration adopted in September 2013 in St. Petersburg.

A number of other organizational and administrative measures have been taken. Details are presented in this report.

2.2. Core recommendations

Please indicate improvements which have been made in respect of the FATF Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely Compliant	
Recommendation of the MONEYVAL Report	*Russia should establish offences of insider trading and stock market manipulation.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	1. Federal draft law “On Amendments to the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation” (establishing punishment for offences causing considerable damage to rights and interests of natural and legal persons in the securities market), which envisages criminal liability for price manipulations in the securities market; passed by the State Duma of the Russian Federal Assembly in the first reading on 8 May 2009; 2. Federal draft law “On Countering Illegitimate Use of Insider Information and Market Manipulations”, which establishes basic definitions and countering mechanism; passed by the State Duma of the Russian Federal Assembly in the first reading on 17 April 2009; 3. Article 15.30 “Price manipulations in the securities market” has been introduced into the Code of Administrative Offences with Federal Law No. 9-FZ dated 9 February 2009. The Article establishes administrative liability for price manipulations in the securities market in the form of administrative fine in amount of RUB 3,000 to 5,000 for natural persons; RUB 30,000 to 50,000 fine or disqualification for a period of one to two years for officials; RUB 700,000 to 1,000,000 fine for legal persons.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No. 224-FZ "On Countering Misuse of Insider Information and Market Manipulation, and Amending Certain Legislative Acts of the Russian Federation" (adopted by the Russian Parliament July 2, 2010), which, among others, has introduced amendments to the Criminal Administrative Codes of the Russian Federation. Market manipulation and misuse of insider information have been classified as criminal offences. The said Federal Law has introduced amendments to Article 185.3 of the Criminal Code of RF "Market Manipulation" defining the term "market manipulation" as intentional dissemination through the media, including electronic, information and telecommunications networks of public use (including the Internet), of false information, or execution of transactions involving financial instruments, foreign currencies and (or) goods, or carrying out of any other willful acts prohibited by the Russian Law on Countering Misuse of Insider Information and Market Manipulation. Also, the Criminal Code of RF has been supplemented with Article

	185.6 that provides for liability for misuse of insider information. Amendments to the Russian Code of Administrative Offences establishes liability for market manipulation in cases when such act does not constitute a criminal offence (Article 15.30 of the Administrative Code), and for violation of the law on countering misuse of insider information and market manipulation (Article 15.35 of the Administrative Code) .
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.200-FZ dated 11.07.2011 "On Amendments to Certain Legislative Acts of the Russian Federation following Adoption of the Federal Law on Information, Information Technologies and Information Protection" amended paragraph 1 of Article 185.3 of the RF Criminal Code by adjusting the definition of "market manipulation". Since 31.07.2013, all provisions of Federal Law No.224-FZ dated 27.07.2010 "On Combating Misuse of Insider Information (Insider Trading) and Market Manipulation and Amendments to Certain Legislative Acts of the Russian Federation" entered force, including those that empowered the Bank of Russia to revoke the banking license of a credit institution for repeated breaches of this Law and the regulations adopted in furtherance thereof, with due consideration for the specificities set forth in this Federal Law. Article 185.6 "Misuse of Insider Information (Insider Trading)" of the RF Criminal Code is also effective since the aforementioned date.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	A number of regulations that govern operations of entities covered by the ant-insider trading and anti-market manipulation legislation were issued: 1. Federal Financial Markets Service Order No.13-51/pz-n dated 18.06.2013 "On Adoption of Regulation on Procedure of Informing Persons on their Inclusion in and Removal from the Insider List, Regulation on Procedure of Providing the Insider Lists to Market Operators through whom Transactions with Financial Instruments, Foreign Currency and (or) Goods are Performed and Regulation on Procedure and Timelines of Reporting by Insiders about Transactions Performed by them". 2. Federal Financial Markets Service Order No.12-32/pz-n dated 24.05.2012 "On Adoption of Regulation on Internal Controls of Professional Securities Market Players". 3. Federal Financial Markets Service Order No.12-9/pz-n dated 28.02.2012 "On Adoption of Regulation on Procedure and Timelines of Disclosure of Insider Information Held by Persons Specified in Clauses 1-4, 11 and 12 of Article 4 of the Federal Law on Combating Misuse of Insider Information (Insider Trading) and Market Manipulation and Amendments to Certain Legislative Acts of the Russian Federation". 4. Federal Financial Markets Service Order No.11-57/pz-n dated 02.11.2011 "On Adoption of Template of Written Request to be Filed with Credit Institutions for Provision of Documents, Explanations and Information Specified in Clause 1 of Article 16 of Federal Law No.224-FZ on Combating Misuse of Insider Information (Insider Trading) and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation " dated 27.07.2010. Bank of Russia issued Directive No.3207-U dated 04.03.2014 "On the List of Executive Officers of the Bank of Russia Authorized to Issue Administrative

	Offence Reports". This Directive specifies the executive officers of the Central Bank who are authorized to issue the administrative offence reports upon detection of administrative offences covered by Article 15.50 "Market Manipulation" and Article 15.35 "Breach of Anti-Insider Trading and Anti-Market Manipulation Legislation" of the RF Code of Administrative Offences.

Recommendation 5 (Customer due diligence) **I. Regarding financial institutions**	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should ensure that the following issues are covered by law or regulation: (i) a specific prohibition on maintaining existing accounts under fictitious names, (ii) a requirement to carry out CDD where there is a suspicion of money laundering, regardless of any exemptions, (iii) performance of CDD where there are doubts about the veracity of previously obtained customer identification data, (iv) a requirement to identify beneficial owners and in particular to establish the ultimate natural owner/controller and (v) requirements for conducting ongoing due diligence.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As it has been already explained to the experts in the course of the Third Round of Evaluation, Russia has sufficient legal provisions that prohibit opening or maintaining existing accounts in fictitious names. Under Item 5 of Article 7 of Federal Law No. 115-FZ, credit institutions are prohibited from opening, and thus maintaining, accounts (deposits) registered in the name of anonymous holders, i.e. without the requisite identification documents presented by the natural or legal person that opens the account (makes a deposit). According to Item 1 of Article 7 of Federal Law No. 115-FZ, institutions that carry out transactions with monetary funds and other property must: 1) identify the person being serviced by the institution carrying out transactions with monetary funds and other property of the customer: - in respect of natural persons – last name, first name and patronymic (unless the law or national custom requires otherwise), citizenship, details of the ID document, migration card, residence permit of a foreign national or person without citizenship, address of residence (registration), and taxpayer identification number (if any); - in respect of legal persons – name, taxpayer identification number or code of foreign organization, state registration number, place of state registration and location address; 2) take justified measures that are available under the circumstances in order to determine and identify beneficial owners; 3) regularly update information about customers and beneficial owners. In accordance with Item 2.5 of BoR Regulation No. 262-P, data provided in the customer's questionnaire (dossier) may be recorded and stored by the credit

	institution in an electronic database to which credit institution employees conducting identification of the customer determination and identification of the beneficial owner can have real-time and permanent access for purposes of verifying customer or beneficial owner data. The recommendations on organizing legal risk and loss of business reputation risk management at credit institutions and banking groups adopted in BoR Letter No. 92-T. The recommendations on identifying persons who have been or will be granted the authority to manage a bank account (bank deposit), including the authority to manage the bank account (bank deposit) using remote banking service technologies (including Internet banking) have been adopted in Letter No. 115-T. Pursuant to the BoR Letter dated 20 January 2003 No. 7-T “On the Implementation of the Federal Law “On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism”, credit institutions received information on mandatory observance of the requirements set out in Federal Law No. 115-FZ to identify persons opening accounts and conducting transactions via accounts of all types. Federal Law dated 3 June 2009 No. 121-FZ was adopted; Part 2 of Article 3 of this Law amends item 1.1 of Article 7 of the Federal Law “On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism” (hereafter the AML/CFT Law). The amended AML/CFT Law states that “institutions carrying out transactions with monetary funds and other property are not required to identify a private customer, determine and identify the beneficial owner when the amount of such transactions does not exceed RUB 15,000 or a foreign currency amount equivalent to RUB 15,000 (except where employees of institutions carrying out transactions with monetary funds and other property have suspicions that this transaction is being carried out with the intent of money laundering or terrorist financing)”. The amendment has thereby introduced the requirement to perform CDD when there are suspicions of money laundering or terrorist financing regardless of any exceptions; additionally, the threshold amount of a transaction that requires no CDD for transactions that pose no ML/TF threat and raises no suspicions of involvement in ML/TF has been decreased from RUB 30,000 to RUB 15,000. The Federal draft law “On Amendments to the Federal Law ”On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism”, which has been submitted to the State Duma and is expected to be passed in September 2009, introduces the following new definitions: “beneficial owner” – proxy giver, grantor, principal, owner or other person on whose behalf and (or) in whose interests and (or) at whose expense the customer (customer’s representative) carries out transactions with monetary funds and other property; “identification” – a set of measures designed to determine the details of customers, their representatives and beneficial owners as required by AML/CFT Law, verify such details using originals of documents and (or) duly certified photocopies, and make sure that mentioned documents (or their duly certified photocopies) legitimately belong to the persons who presented them. Rosfinmonitoring has developed recommendations for the implementation of the requirements of the AML/CFT Law to identify persons being served (customers) and

	beneficial owners (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The above mentioned recommendations must be obligatory incorporated by the institutions into their internal control rules, since the AML/CFT Law and Russian Government Decision No. 983-r require that recommendations issued by the FIU to be incorporated into internal control rules. The institutions concerned are currently completing the procedure of repeated reconciliation of internal control rules with the respective supervisory bodies. Rosfinmonitoring Informative Letter No. 2 requires the institution mandatory completion a questionnaire (dossier) for the customer (beneficial owner) if the transaction raises suspicions that it is related to ML/TF or if the transaction is complex or unusual in its nature and has no obvious economic rationale or obvious legitimate purpose, and (or) if the transaction is carried out to evade mandatory control procedures stipulated in the AML/CFT Law. The dossier must contain documents obtained during CDD (including information about founders owning 5% of shares (interest) or more, as well as the ML/TF risk assessment of the customer/beneficial owner). Moreover, the institution must update the details of the customer or beneficial owner if the customer, beneficial owner or transaction have raised suspicion of their involvement in ML/TF or doubts about the veracity of data obtained previously. This requirement must be fulfilled in all cases regardless of any exceptions. Government Decision No. 983-r (item 10) requires paying special attention to the following when performing identification: a) list of founders of (partners in) a legal person; b) structure of governing bodies of the legal person and their powers; c) the size of registered and paid-in authorized (share) capital or size of the authorized fund and value of assets. Rosfinmonitoring Informative Letter No. 2 specifies this requirement obligating institutions to record the following details, among others, in the customer’s dossier: - on the governing bodies of the legal person (structure and membership of the legal person’s governing bodies); - on the identities of founders (members) of a legal person – to be submitted for founders (members) owning five or more percent of shares (interest) in a legal person; The information on the identities of founders (members) of a legal person includes: - in respect of natural persons: last name, first name, patronymic (unless the law or national custom requires otherwise), as well as series (if any) and number of the ID document, and the taxpayer identification number (if any); - in respect of legal persons: name, taxpayer identification number or foreign organization code. Rosfinmonitoring Informative Letter No. 2 requires updating the details of the

	customer or beneficial owner if the customer, beneficial owner or transaction have raised suspicion of their involvement in ML/TF or doubts about the veracity of data obtained previously. Establishing business relations with the customer, the institution must assess the customer's ML/TF risk level and subsequently constantly monitor the customer's transactions in order to take into account changes in the level of risk. The institution must pay special attention to transactions carried out by a customer that has been assigned an increased risk level, including constant monitoring of this customer's transactions. The institution must update information obtained during CDD at least once every six months for customers in the heightened risk group and at least once a year for other customers, as well as revise the risk level as this information changes or in the following cases: - a customer, beneficial owner or transaction raises suspicions of involvement in ML/TF; - the transaction is complex or unusual in its nature and has no obvious economic rationale or obvious legitimate purpose, of there are reasons to believe that the transaction is carried out to evade mandatory control procedures stipulated in the AML/CFT Law (item 3.5). Thus, Rosfinmonitoring has established requirements for all FIs to conduct CDD when there are suspicions of customer involvement in ML/TF or doubts about previously obtained information, as well as requirements to constantly carry out due diligence.
Measures taken to implement the recommendations since the adoption of the first progress report	In order to further improve the identification mechanism Federal Law No.176-FZ "On Amendments to the Federal Law on Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism and to the Russian Federation Code on Administrative Offences" dated July 23, 2010 was adopted. The Law introduced the following new definitions: "Customer – an individual or legal entity serviced by an institution carrying out with monetary funds and other property"; "Beneficiary – a person whose benefit the customer acts for, in particular under a brokerage, agency, commission and grant agreement, when carrying out transactions with funds or other assets"; "Identification - a set of measures for obtaining information on customers, their representatives, and beneficiaries required by the AML/CFT Law, and verification of such information using original documents and (or) duly certified copies thereof"; "Data (information) recording - obtaining and consolidation of data (information) in hard copy and/or in other forms in order to implement the AML/CFT Law" Besides that, pursuant to the said Law the date of birth of a customer is added to the list of information to be ascertained for the identification purposes, which allows to avoid confusion in case of names matching. At the same time we reaffirm that the procedure for opening accounts prescribed by the laws applicable before the AML/CFT Law came into force precluded the use of

	fictitious names. An account could be opened only upon ID presentation. According to Item 5.2 of Article 7 of the AMLCFT Law an institution is entitled to refuse to sign a bank account agreement with an individual or a legal entity if such customer has provided false documents. Federal Law No.176-FZ amended Item 5 of the AML/CFT Law which now prohibits entering into a bank (deposit) account agreement with a customer if such customer and/or his representative fail to provide documents required for identification of such customer and/or his representative in the situations specified in the AML/CFT Law. Decree of the RF Government No.967-r dated 10.06.2010 (which substituted the RF Government Decree No.983-r) approved new Internal Control Rules Development Recommendations which prescribe to develop a customer and beneficiary identification program with due consideration for the provisions of the AML/CFT Law and Rosfinmonitoring requirements. Rosfinmonitoring has developed such requirements (which are set forth in Rosfinmonitoring Informative Letter No.2) and approved them by Order No.59 dated 17.02.2011. Item 2.10 of Order No.59 requires that an institution should update the information on a customer, customer's representative and beneficiary if it has doubts about the veracity of data obtained previously in course of implementation of identification program or if a customer, beneficial owner or transactions have raised suspicion of their involvement in ML/TF. Besides that, Item 1.7 of the said Order establishes that institutions should verify documents provided by a customer and/or customer's representative using the data contained in the unified state register of legal entities, the consolidated state register of foreign companies' representative offices accredited in the Russian Federation as well as using databases containing information on lost and/or invalid passports, passports of deceased natural persons and lost passport forms. An institution may also use other additional (subsidiary) information sources legitimately available to it. Difficulties in verification of information provided by a customer, undue delays in providing transaction (deal) information and documents by a customer, provision by a customer of information that cannot be verified or such verification is too costly are the criteria of suspicious transaction (deal) as established by Rosfinmoniotoring's Order No.103 dated 08.05.2009. These criteria should necessarily be incorporated in Internal Control Rules of an institution. In such situation an institution should file a STR with Rosfinmonitoring. Pursuant to Decree No.967-r and Rosfinmonitoring's Order No.59 when establishing business relationship with a customer an institution should assess the customer's ML/TF risk level and subsequently conduct ongoing monitoring of the customer's transactions to detect any changes in the level of risk. An institution should pay particular attention to transactions carried out by a customer that has been assigned an increased risk level, including through ongoing monitoring of such customer's transactions. An institution should update information obtained during CDD at least once in every

	six months for high risk customers and at least once a year for other customers, and revise the risk level if such information changes or if: - a customer, beneficiary or transaction raises suspicions of involvement in ML/TF; - a transaction is of complex or unusual nature and has no obvious economic rationale or obvious legitimate purpose, or there are reasons to believe that the transaction is aimed at evading mandatory control procedures stipulated in the Federal Law. Thus, Rosfinmonitoring has established requirements for all financial institutions to conduct CDD when there are suspicions of customer involvement in ML/TF or doubts about veracity of previously obtained information, as well as introduced more detailed and strict requirements to undertake ongoing CDD measures.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ clarifies the prohibition to open and maintain anonymous accounts by credit institutions and also establishes, in the AML/CFT Law, the following specific prohibition on maintaining accounts under fictitious names: "Credit institutions should be prohibited from opening and maintaining anonymous accounts (deposits), i.e. when individuals or legal entities who wish to open accounts (make deposits) fail to produce documents required for their identification, and should also be prohibited from opening and maintaining accounts (deposits) under fictitious names (pseudonyms)". The AML/CFT Law specifies three grounds on which persons may be exempt from identification (Article 7). However, in a situation where credit institution staff and bank payment agents suspect that a transaction is carried out for ML or TF purposes, full identification should be performed. RF Government Resolution No.667 dated 30.06.2012 "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" adopted the requirements for the internal control rules developed by entities engaged in transactions with funds or other assets (except for credit institutions). Pursuant to paragraph 23 of the said Requirements an entity should examine the background and purposes of all detected unusual transactions (deals) and should establish the findings in writing. In course of examination of an unusual transaction (deal), an entity should undertake a number of additional measures, in particular: a) receive necessary explanations and (or) obtain additional information from a customer for clarifying the economic rationale of an unusual transaction (deal); b) pay special attention to (perform monitoring of) all transactions (deals) of such customer, as required by this Regulation to ascertain that such transactions are not carried out for ML/FT purposes. The undertaken measures also enable financial institutions to request additional information on the previously identified customers. Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets to update information on customers, customers' representatives, beneficiaries and beneficial owners at least once a year, and where there are doubts about veracity and accuracy of previously obtained data, such information should be

	updated within 7 business days following the day when suspicion arose. Federal Law No.134-FZ introduces the term "beneficial owner" which, for the purpose of the Law, refers to an individual who ultimately owns (holds over 25% interest), directly or indirectly (through third parties), a corporate customer or otherwise controls its actions. The said Law also stipulates that "Customers are obliged to provide institutions engaged in transactions with funds or other assets with information needed by the latter for complying with the requirements of this Law, including information on their beneficiaries and beneficial owners". Federal Law No.134-FZ has amended Article 15.27 of the Code of Administrative Offences which now establishes liability of institutions/ entities engaged in transactions with funds or other assets for failure to provide information on transactions of their customers and beneficial owners of customers or information on customer account (deposit) activity requested to the designated AML/CFT authority. Failure to provide such information is punishable by administrative fine imposed on legal entities in amount of three hundred thousand up to five hundred thousand rubles. According to clause 2.11 of BoR Regulation No.262-P "On Identification by Credit Institutions of Customers and Beneficiaries for the AML/CFT Purposes" a credit institution is obliged to update customer and beneficiary identification information and review level (degree) of risk each time when such information or risk level (degree) changes, but at least once a year. At the same time, whenever there are doubts about veracity and accuracy of previously obtained information recorded in the institution's internal documents in compliance with the corporate internal control rules, such information should be updated within seven business days following the date when such doubts arose. Credit institutions may also review and reassess the risk level (degree) in other situations in a manner and within timelines established by them. In order to assist credit institutions in conducting ongoing customer due diligence, including regular updating of customer information, the Bank of Russia issued Letter No.90-T dated June 28, 2012 "On Information Posted on the Federal Tax Service (FTS) Website" and Letter No.176-T dated December 21, 2012 "On FTS Information on Legal Entities that have been or are being Liquidated". The Bank of Russia, that has been authorized to develop methodological recommendations, is now empowered by Federal Law No.162-FZ to establish (in coordination with the AML/CFT designated authority) requirements for development of internal control rules by credit institutions. In pursuance of the aforementioned powers vested in it, Bank of Russia issued Regulation No.375-P dated 02.03.2012 "On Requirements for the AML/CFT Internal Control Rules of Credit Institutions" (hereinafter - Regulation No.375-P). Regulation No.375-P imposed a new obligation on credit institutions to develop ML/FT risk management program (hereinafter - the risk management program), in course of implementation of which credit institutions should categorize customers against the risk criteria used for assessing the level (degree) of risk of customer involvement in ML/FT transactions (hereinafter the customer risk).

	Situation where a credit institution has reasonable grounds to believe that documents produced by a customer for identification purposes are inauthentic/false is one of the factors affecting the customer risk assessment. Pursuant to Regulation No.375-P ML/FT risk management (hereinafter - risk management) refers to a combination of actions taken by a credit institution for assessing and mitigating such risk by implementing measures provided for in the Russian legislation and customer agreement, including request for and verification of additional documents, *inter alia*, by checking them against information available to a credit institution; refusal to enter into a bank account (deposit) agreement; and refusal to execute customer's instruction to perform a transaction. Thus, Regulation No.375-P is binding upon all credit institutions and contains provisions specifying measures to be taken by credit institutions when they have doubts about veracity of documents and information provided by a customer for identification purposes. Apart from the obligation that has been imposed on institutions engaged in transactions with funds and other assets by the AML/CFT Law to regularly update information on customers and beneficiaries, Federal Law No.134-FZ additionally obliges them to update information on customers' representatives and beneficial owners. Federal Law No.134-FZ requires to update such information at least once a year, and in a situation where there are doubts about veracity and accuracy of previously obtained information, institutions are obliged to update it within seven business days following the day when such doubts arose. Besides that, BoR Regulation No.262-P dated 19.08.2004 "On Identification by Credit Institutions of Customers and Beneficiaries for AML/CFT Purposes" (hereinafter - Regulation No.262-P) directly obliges credit institutions to perform repeated identification of a customer and to identify and verify identity of a beneficiary if they have doubts about veracity of information obtained by them previously in course of implementation of the identification program. Federal Law No.134-FZ introduced the term "beneficial owner", which definition is consistent with the FATF requirements. It also established the obligation of institutions engaged in transactions with funds or other assets to take measures that are reasonable and available under the circumstances for identifying beneficial owners, *inter alia*, by obtaining and ascertaining the same information as required by the AML/CFT Law for identifying customers, customers' representatives and (or) beneficiaries. Regulation No.375-P stipulates that a credit institution should recognize an individual as the beneficial owner if such individual is capable of controlling a customer, taking into consideration the following factors: a) an individual holds, directly or indirectly (through third parties), controlling interest (over 25 percent) in a customer, or holds over 25 percent of customer's voting shares; b) an individual is entitled (capable), *inter alia*, under agreement entered into with a customer, exert direct or indirect (through third parties) substantial influence on decisions made by the customer, use its powers to influence on amount of the customer's income, and/or in capable of exerting influence on customer's decisions pertaining to deals (including those posing "credit risk", such as granting loans,

	guarantees, etc.) and financial transactions. An individual should be recognized as the beneficial owners as a result of analysis of all factors listed in Regulation No.375-P and all documents and (or) information on a customer and on such individual available to a credit institution. For this purpose, Federal Law No.134-FZ obliges customers to provide institutions engaged in transactions with funds or other assets with information needed by the latter for complying with the requirements set forth in the AML/CFT Law, including information on customers' beneficiaries and beneficial owners. Besides that, Bank of Russia has issued, in coordination with Rosfinmonitoring, the Letter that describes in detail the course of actions to be taken by institutions engaged in transactions with funds or other assets for identifying beneficial owners (BoR Letter No.14-T dated 28.01.2014).
Recommendation of the MONEYVAL Report	*The following matters should be set out in law, regulation or other enforceable means: (i) requirement for non-CIs to understand the ownership or control structure of a legal person, (ii) requirement to ascertain the purpose and intended nature of the business relationship, (iii) requirements for the timing of verification of identification, and (iv) consequences of a failure to conduct CDD.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Government Decision No. 983-r (item 10) requires paying special attention to the following when performing identification: a) list of founders of (partners in) a legal person; b) structure of governing bodies of the legal person and their powers; c) the size of registered and paid-in authorized (share) capital or size of the authorized fund and value of assets. Rosfinmonitoring Informative Letter No. 2 specifies this requirement obligating institutions to record the following details, among others, in the customer's dossier: - on the governing bodies of the legal person (structure and membership of the legal person's governing bodies); - on the identities of founders (members) of a legal person – to be submitted for founders (members) owning five or more percent of shares (interest) in a legal person; The information on the identities of founders (members) of a legal person includes: - in respect of natural persons: last name, first name, patronymic (unless the law or national custom requires otherwise), as well as series (if any) and number of the ID document, and the taxpayer identification number (if any); - in respect of legal persons: name, taxpayer identification number or foreign organization code.Rosfinmonitoring Informative Letter No. 2 requires to complete customer identification, determine and identify the beneficial owner within 7 working days from the day of the transaction or deal, if upon the establishment of long-term relations the nature of transactions and deals makes it impossible to perform CDD before their completion (taking into account measures available under the circumstances) in the scope required by Annexes 1-3 to Rosfinmonitoring Informative Letter No. 2.

	Moreover, the State Duma is considering the Federal draft law "On Amendments to Article 7 of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" and Part Two of the Civil Code of the Russian Federation". It envisages the right for a credit institution to refuse to perform a bank account (deposit) contract with the customer in the following cases: - there is information that the customer or customer's representative presented false or invalid documents upon opening the bank account (making the deposit); - there is information that the customer or customer's representative is involved in terrorist activities, where such information has been obtained in accordance with AML/CFT Law; - information is obtained in the process of documenting details (information) as required by internal control rules or internal control programs, which indicates a complex or unusual nature of the transaction, which has no obvious economic rationale or obvious legitimate purpose, or is not consistent with the types of the customer's business, or repeated transactions or deals the nature of which gives reasons to believe that their purpose is to evade the mandatory control procedure, as well as other circumstances giving reason to believe that transactions are carried out with the objective of money laundering of proceeds from crime or terrorist financing; - repeated failure to present documents requested by the credit institution or repeated submission of false or invalid documents by the customer or customer's representative within one year. Thereby, the Federal draft law "On Amendments to the Federal Law 'On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", expands conceptual framework the AML/CFT Law by defining such terms as "organizing internal control" and "implementing internal control", and specifies the CDD requirements and requirement to identify beneficial owners. At the same time, the Federal draft law "On Amendments to Certain Legislative Acts of the Russian Federation Regarding Counteracting Legalization (Money Laundering) of Proceeds from Crime and Terrorist Financing" establishes administrative liability for both natural and legal persons for failure to organize and implement the internal control.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.176-FZ dated July 23, 2010, which amended the AML/CFT Law, introduces the definition of "beneficiary" and specifies the information that should be ascertained in respect of a beneficiary. It should be noted that Item 1 of Article 7 of the AML/CFT Law strengthens the requirements for identification of the beneficiaries. Decree of the RF Government No.967-r dated 10.06.2010 approved new Internal Control Rules Development Recommendations which prescribe to develop a customer and beneficiary identification program with due consideration for the provisions of the AML/CFT and Rosfinmonitoring requirements. Decree of the RF Government No.967-r of 10.06.2010 requires that in the course of identification of legal entities special attention should be paid to the following issues: a) the list of the legal entity's founders (shareholders); b) the structure of the legal entity's management bodies and their powers; c) the size of registered and paid-up authorized (share) capital or the size of

	authorized fund and the value of assets of a legal entity. FSFM Order No.10-49/pz-n dated July 20, 2010 approved the "Regulation on Terms of Licensing and Professional Activities in the Securities Market" (hereinafter the Regulation). According to this Regulation complete information about ownership structure should be understood as disclosure of details of a person/group of persons who owns directly or indirectly at least five per cent of the licensee's registered share capital. Such information on the said person or group of persons is deemed to be disclosed if such person (members of such group) is the Russian Federation, a constituent region of the Russian Federation, a municipality, a natural person, a legal entity that discloses information pursuant to Article 30 of Federal Law No.39-FZ dated April 22, 1996 "On Securities Market", or a non-profit organization (except for non-profit partnerships), or a foreign national or entity having a similar status. Complete information about the licensee's ownership structure must be submitted to the FSFM in electronic form or in hard copy not later than 15 business days following the reporting quarter. Pursuant to Decree No.967-r the identification program should envisage obtaining additional information on a customer in addition to that specified in Article 7 of the AML/CFT Law (e.g. codes of federal statistical monitoring forms which contain information on core activities of an individual/legal entity; founders (members) of a legal entity; structure of legal entity's management bodies and their powers; size of registered and paid-up authorized (share) capital or size of authorized fund; the value of assets of a legal entity). Thus, pursuant to the aforementioned AML/CFT regulations an institution, in addition to the identification data, should identify a customer's activity profile which determines the nature and expected purpose of business relationship. When establishing business relationship with a customer an institution should assess and assign a ML/TF risk level (section 2.1 of Order No.№59) with consideration for transaction characteristics and types and conditions of activities that pose enhanced risk of customer involvement in ML/FT transactions and are included by an institution in its Internal Control Rules as required by the FATF Recommendation. After that an institution should conduct ongoing monitoring of the customer's transactions to detect any changes in the level of risk. In this context an institution obtains data on types and conditions of customer's activities and records them in a customer file. Besides that, data on types and conditions of customer's activities are used by institutions for implementing the requirements set forth in Item 2 of Article 7 of the AML/CFT Law for documenting transactions which are inconsistent with the purposes of entity's activities specified in its constituent documents. Pursuant to Decree No.967-r procedure for detecting such inconsistent transactions (deals) should be specified in the Internal Control Rules during the development of a program for detection of transactions subject to control. Besides that, the program for detecting transactions subject to control developed by an institution should specify a procedure for examining background and purpose of such transactions (deals) and documenting the findings. According to Rosfinmonitoring Order No.103 if there is no reasonable link between a

	type and nature of customer's activity and a service such customer requests from an institution carrying out transactions with funds or other assets, as well as if a transaction is inconsistent with the purposes of entity's activities specified in its constituent documents, an institution should file a STR with Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ introduces the term "beneficial owner" which, for the purpose of the Law, refers to an individual who ultimately owns (holds over 25% interest), directly or indirectly (through third parties), a corporate customer or otherwise controls its actions. Any institution recognizes an individual as the beneficial owner if such individual is capable of controlling a customer, taking into consideration the following factors: - an individual holds, directly or indirectly (through third parties), controlling interest (over 25 percent) in a customer, or holds over 25 percent of customer's voting shares; - an individual is entitled (capable), *inter alia*, under agreement entered into with a customer, exert direct or indirect (through third parties) significant influence over decisions made by the customer, use its powers to exert influence over amount of the customer's income, to force the customer to establish business relationships in interest of such individual and/or is capable of exerting influence over customer's decisions pertaining to deals, including material terms and conditions of deals, and financial transactions; - other factors independently determined by an institution for recognizing an individual as the beneficial owner. The founders of a corporate customer may be the individuals who hold over 25% interest in such corporate customer. In a situation where the controlling interest in a customer is held by its corporate founder, it is necessary (in compliance with the AML/CFT Law) to take all available measures for identifying the beneficial owner of such founder who should be recognized as the ultimate beneficial owner capable of exerting indirect (through third parties) over actions of the corporate customer. If the undertaken available measures fail to identify the ultimate beneficial owner, the CEO of the corporate founder who holds the controlling interest in the customer may be recognized as the beneficial owner. In accordance with the Requirements for Internal Control Rules (RF Government Resolution No.667 dated 30.06.2012) the risk assessment program should include the procedure of assessing and assigning the level (degree) of risk to a customer in compliance with the customer identification requirements. The level (degree) of risk should be assessed and assigned: a) when establishing business relationship with a customer; b) when executing customer's transactions; c) in other situations as may be determined by an institution and specified in its internal control rules. The aforementioned measures enable financial institution (along with implementation of the internal control rules) to perform a number of checks and verifications of a customer, *inter alia*, to examine purpose and intended nature of business relationship. Pursuant to Federal Law No.134-FZ, when establishing business relationships with

	corporate customers and servicing corporate customers, institutions engaged in transactions with funds or other assets are obliged to obtain information on purpose and intended nature of business relationships and regularly take measures that are reasonable and available under the circumstances for identifying business profile, financial standing and business reputation of such customers. Pursuant to Article 7 of the AML/CFT Law identification of customer, customer's representative and beneficiary should be performed prior to the establishment of business relationship. Liability of institutions for non-compliance with the AML/CFT legislation is established in Article 15.27 of the Code of Administrative Offences.
Recommendation of the MONEYVAL Report	*Requirements relating to enhanced and simplified due diligence should be clarified, in particular the exemptions from conducting CDD in situations relating to occasional transactions. Further guidance to FIs on dealing with legal arrangements from overseas would be helpful.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The requirements are specified in Rosfinmonitoring Informative Letter No. 2, with the customer ID requirements similar to both regular and occasional customers regardless of the type, nature, and amount of bargains or transactions. The exceptions set out in item 1.1 of Article 7 of the AML/CFT Law (both in the current wording and the one to come into force on 5 December 2009) apply only to occasional payments up to RUB 30,000 by natural persons as payment of utility and other social services bills (RUB 15,000 regardless of the nature of payment unless such transactions raise ML/TF suspicions in the AML/CFT Law wording to come into force on 5 December 2009). The issue of elaborating further guidance for FIs on dealing with foreign legal arrangements attracted due attention from EAG side. At Russia's initiative it was discussed at the 10th EAG Plenary in June 2009. Due to the complex nature of this matter, recognized by the FATF and MONEYVAL representatives, the EAG Working Group on Mutual Evaluations and Legal Issues was tasked with working out and reporting to the EAG within 2009 the approaches to settle the issue, acceptable to all EAG member states including Russia.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.121-FZ dated June 03, 2009 "On Amendments to Certain Legislative Acts of the Russian Federation amended Federal Law No.115-FZ" by clarifying the requirements for identification of individuals and legal entities serviced by an institution. Simplified CDD procedure in respect of low-risk transactions (occasional payments not exceeding 15,000 rubles (approximately 500 US dollars)) carried out by customers has been clarified; the procedure now requires that identification of a customer must be carried out if there are any suspicions that the transaction is related to ML/FT. Federal Law No.176-FZ dated July 23, 2010 provides definition of the "identification" term. According to the said Law, identification is "a set of measures for obtaining information on customers, their representatives, and beneficiaries required by the Federal Law, and verification of such information using original documents and (or) duly certified copies thereof".

	The clear definition set by the law will raise institutions' awareness of their CDD obligations and, consequently, improve the efficiency of CDD measures. Besides that, Rosfinmonitoring has developed a draft Federal Law which will allow for performing simplified identification of customers and beneficiaries in situations when there is a minimum risk that transaction is conducted for the ML/FT purposes.
Measures taken to implement the recommendations since the adoption of the second progress report	According to the Requirements for Internal Control Rules of non-credit institutions (RF Government Resolution No.667) the program of identification of transactions (deals) that are subject to mandatory monitoring and transactions (deals) potentially related to ML/FT should include measures for ensuring enhanced attention to (monitoring of) transactions (deals) carried out by higher risk customers and should also specify the situations where additional measures are required for examining identified unusual transactions (deals) and the procedure of implementing such measures. Federal Law No.110-FZ introduced the mechanism of simplified identification of individuals (hereinafter - the simplified identification) which refers to a combination of measures, undertaken in the situations specified in the AML/CFT Law, designed for identifying the last name, first name, and middle name (unless the law or national custom requires otherwise), series and number of the ID document of an individual customer and verifying this information in one of the following ways: - checking against the original documents and (or) duly certified copies thereof; - checking against information contained in the databases of the government authorities, the RF Pension Fund, the Federal Compulsory Medical Insurance Fund and (or) in the national information system designated by the RF Government; - using the integrated identification and authentication system in situations where enhanced encrypted or simple digital signature is used, provided that the identity of an individual has been ascertained during a face-to-face contact when a simple digital signature key was provided to such individual. The National Action Plan for fighting tax evasion and concealment of beneficiary owners includes potential implementation of the following measures applicable to trusts and other legal arrangements, including foreign ones: - oblige foreign organizations operating in the Russian Federation to disclose information on their ownership structure and ID data of their owners; - establish in the RF legislation prohibition for the Russian residents to transfer their assets into trusts or similar arrangements if the latter do not meet the transparency requirements; - establish legal regulation of operation in the Russian Federation of unincorporated arrangements (trusts, foundations, partnerships and other collective investment schemes) established under the foreign legislation which, according to their by-laws, are entitled to perform business operations for deriving income (profit) for their members, founders, beneficiaries, shareholders, trustors and other persons.
Recommendation of the MONEYVAL	*A stronger link in the AML/CFT Law should be established between the need to ascertain whether a customer is acting on behalf of another person and the requirement to collect identification data. Further clarification in the AML/CFT Law*

Report	*on the meaning of the term "beneficiary" and the measures which financial institutions should take to comply with the measures would be helpful.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As it has been pointed out the State Duma is considering the Federal draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which expands conceptual framework of the AML/CFT Law by explanation such term as "beneficial owner". "Beneficial owner" – proxy giver, grantor, principal, owner or other person on whose behalf and (or) in whose interests and (or) at whose expense the customer (customer's representative) carries out transactions with monetary funds and other property.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.176-FZ dated July 23, 2010, which amended the AML/CFT Law, introduces the definition of "beneficiary" and specifies the information that should be ascertained in respect of a beneficiary. It should be noted that Item 1 of Article 7 of the AML/CFT Law strengthens the requirements for identification of beneficiaries. Decree of the RF Government No.967-r of 10.06.2010 (Item 11) requires that in the course of identification of legal entities special attention should be paid to the following issues: a) the list of the legal entity's founders (shareholders); b) the structure of the legal entity's management bodies and their powers; c) the size of registered and paid-up authorized (share) capital or the size of authorized fund and the value of assets of a legal entity. Besides that, pursuant to Section 1.2 of Regulation of the Bank of Russia No.262-P a credit institution is obliged to determine and identify the beneficiary, i.e. a person whose benefit the customer acts for, in particular under a brokerage, agency, commission and grant agreement, when carrying out transactions with funds or other assets. FSFM Order No.10-49/pz-n dated July 20, 2010 approved the Regulation on Terms of Licensing and Professional Activities in the Securities Market" (hereinafter the Regulation). According to this Regulation complete information about ownership structure should be understood as disclosure of details of a person/group of persons who owns directly or indirectly at least five per cent of the licensee's registered share capital. Such information on the said person or group of persons is deemed to be disclosed if such person (members of such group) is the Russian Federation, a constituent region of the Russian Federation, a municipality, a natural person, a legal entity that discloses information pursuant to Article 30 of Federal Law No.39-FZ dated April 22, 1996 "On Securities Market", or a non-profit organization (except non-profit partnerships), or a foreign national or entity having a similar status. Complete information about the licensee's ownership structure must be submitted to the FSFM in electronic form or in hard copy not later than 15 business days following the reporting quarter.
Measures taken to implement the recommendations	Federal Law No.134-FZ introduces the term "beneficial owner" which, for the purpose of the Law, refers to an individual who ultimately owns (holds over 25% interest), directly or indirectly (through third parties), a corporate customer or

since the adoption of the second progress report	otherwise controls its actions. Any institution recognizes an individual as the beneficial owner if such individual is capable of controlling a customer, taking into consideration the following factors: - an individual holds, directly or indirectly (through third parties), controlling interest (over 25 percent) in a customer, or holds over 25 percent of customer's voting shares; - an individual is entitled (capable), *inter alia*, under agreement entered into with a customer, exert direct or indirect (through third parties) significant influence over decisions made by the customer, use its powers to exert influence over amount of the customer's income, to force the customer to establish business relationships in interest of such individual and/or is capable of exerting influence over customer's decisions pertaining to deals, including material terms and conditions of deals, and financial transactions; - other factors independently determined by an institution for recognizing an individual as the beneficial owner. The founders of a corporate customer may be the individuals who hold over 25% interest in such corporate customer. In a situation where the controlling interest in a customer is held by its corporate founder, it is necessary (in compliance with AML/CFT Law No.115-FZ) to take all available measures for identifying the beneficial owner of such founder who should be recognized as the ultimate beneficial owner capable of exerting indirect (through third parties) over actions of the corporate customer. If the undertaken available measures fail to identify the ultimate beneficial owner, the CEO of the corporate founder who holds the controlling interest in the customer may be recognized as the beneficial owner. For the purpose of identification of beneficial owners institutions are entitled to take the following measures: - questioning customers (disseminating questionnaires to customers); - examining customers' Articles of Incorporation and Association; - interviewing customers and recording the obtained information in the customer file; - using external information sources legally available to and accessible by an institution; - taking other measures as may be deemed appropriate by an institution. An individual should be recognized as the beneficial owner as a result of analysis of all documents and (or) information on a customer and on such individual available to an institution. Article 7 of the AML/CFT Law imposes the following obligations on institutions covered by this Law: - identify a customer, customer's representative and (or) beneficiary prior to establishing business relationship with such customer; - take measures that are reasonable and available under the circumstances for identifying beneficial owners. Identification of beneficial owners is not performed when establishing business relationships with customers that are:

	- public authorities, other government authorities, local government authorities, agencies and institutions subordinated to them, government non-budgetary foundations and government-owned corporations or organizations in which the Russian Federation, Constituent Regions of the Russian Federation or Municipal Districts hold over 50 percent of shares (interest); - international organizations, foreign states or foreign autonomous jurisdictions; - securities issuers trading on stock exchanges that disclose information under the RF Law on Securities. If the beneficial owner identification measures undertaken under the AML/CFT Law fail to identify beneficial owner, the sole executive body of a customer may be recognized as the beneficial owner. RF Government Resolution No.577 amended RF Government Resolution No.667 dated June 30, 2012 “On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government”. According to these amendments the identification requirements are extended and apply now to beneficial owners. An individual should be recognized as the beneficial owner as a result of analysis of all factors listed in Regulation No.375-P and all documents and (or) information on a customer and on such individual available to a credit institution. For this purpose Federal Law No.134-FZ obliges customers to provide institutions engaged in transactions with funds or other assets with information needed by the latter for complying with the requirements set forth in the AML/CFT Law, including information on customers’ beneficiaries and beneficial owners. Besides that, Bank of Russia has issued, in coordination with Rosfinmonitoring, the Letter that describes in detail the course of actions to be taken by institutions engaged in transactions with funds or other assets for identifying beneficial owners (BoR Letter No.14-T dated 28.01.2014).
Recommendation of the MONEYVAL Report	*Russia should develop further guidance for financial institutions to enable appropriate identification of legal formations as the financial sector is expanding and becoming more internalized.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The issue of elaborating further guidance for FIs on dealing with foreign legal arrangements and formations attracted due attention from EAG side. At Russia’s initiative it was discussed at the 10th EAG Plenary in June 2009. Due to the complex nature of this matter, recognized by the FATF and MONEYVAL representatives, the EAG Working Group on Mutual Evaluations and Legal Issues was tasked with working out and reporting to the EAG within 2009 the approaches to settle the issue, acceptable to all EAG member states including Russia.
Measures taken to implement the recommendations since the	Federal Law No.121-FZ dated June 03, 2009 “On Amendments to Certain Legislative Acts of the Russian Federation amended Federal Law No.115-FZ” by clarifying the requirements for identification of individuals and legal entities serviced by an institution. Simplified CDD procedure in respect of low-risk transactions (occasional

adoption of the first progress report	payments not exceeding 15,000 rubles (approximately 500 US dollars)) carried out by customers has been clarified; the procedure now requires that identification of a customer must be carried out if there are any suspicions that the transaction is related to ML/FT. Federal Law No.176-FZ dated July 23, 2010 provides definition of the "identification" term. According to the said Law, identification is "a set of measures for obtaining information on customers, their representatives, and beneficiaries required by the Federal Law, and verification of such information using original documents and (or) duly certified copies thereof". The clear definition set by the law will raise institutions' awareness of their CDD obligations and, consequently, improve the efficiency of CDD measures. Besides that, Rosfinmonitoring has developed a draft Federal Law which will allow for performing simplified identification of customers and beneficiaries in situations when there is a minimum risk that transaction is conducted for the ML/FT purposes.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see measures taken above.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	
Recommendation 5 (Customer due diligence) **II. Regarding DNFBP**[7]	
Recommendation of the MONEYVAL Report	*Russia should review the AML/CFT regime as it applies to DNFBPs and ensure that all of the relevant criteria are addressed. For casinos, real estate agents and dealers in precious metals and stones, the basic recommendations set out earlier in this report in relation to Recommendations 5, 6 and 8-11 are applicable, as these entities are subject to the full effect of the AML/CFT Law in Russia.*

[7] i.e. part of Recommendation 12.

Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia has analyzed the application of the AML/CFT regime to all designated non-financial businesses and professions (DNFBPs). Russia has established unified AML/CFT requirements for both FIs and the majority of DNFBPs – for casinos and gambling outlets, jewellery businesses, real estate agents, and pawnshops. The relevant measures taken to eliminate the deficiencies detected and implement experts' recommendations to improve the AML/CFT system in order to ensure compliance with Recommendations 5 and 11 fully apply to the aforesaid types of DNFBPs. Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to identify persons being served (customers) and beneficial owners (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring has elaborated draft law which is currently being considered by the State Duma. The draft law contains amendments to Article 7.1 of the AML/CFT Law, which fully extend the requirements of Article 7 to lawyers, notaries and auditors (in terms of developing internal control rules and procedures, identifying customers and beneficial owners, recording the necessary data, and reporting information to the competent authority).
Measures taken to implement the recommendations since the adoption of the first progress report	Decree of the RF Government No.967-r dated 10.06.2010 approved new Internal Control Rules Development Recommendations which prescribe to develop a customer and beneficiary identification program with due consideration for the provisions of the AML/CFT Law and Rosfinmonitoring requirements. Rosfinmonitoring has developed the requirements for identification of customers and beneficiaries, inter alia, with consideration for a level (degree) of risk of customer involvement in ML/FT transactions and approved them by Order No.59 dated 17.02.2011. It should be noted that Russia established uniform standard AML/CFT requirements for both financial institutions and designated non-financial businesses and professions.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs. The requirements set forth in Article 7 of the AML/CFT Law concerning information on individuals and legal entities that should be ascertained by notaries in course of the customer identification process are fully complied with. Moreover, provision of this information is the mandatory requirement for a notarization, whereby a notary ascertains eligibility and powers of a customer. Thus, in our opinion, the scope of

	information provided by notaries, where necessary, in compliance with the aforementioned law is sufficient enough for identifying customers, and notaries can verify authenticity (veracity) of this information by checking it against the original documents and (or) duly certified copies thereof.
Recommendation of the MONEYVAL Report	*In relation to lawyers, accountants and notaries, specific provisions to address all of the relevant criteria in Recommendations 5, 6 and 8-11 should be developed. In particular, extending the CDD requirements to include their full range in the legislation. Russia should also take steps to examine ways of increasing the effectiveness of compliance with AML/CFT requirements in these sectors.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The aforesaid Federal draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which is being examined by the State Duma, would extent all CDD requirements to lawyers, notaries, and persons providing legal and accounting services. Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to identify persons being served (customers) and beneficial owners (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring identification recommendations equally apply to lawyers, notaries and accountants. Besides agreements on cooperation in AML/CFT sphere between Rosfinmonitoring and Federal Lawyers and Notaries Chambers, both Chambers have published on their websites recommendations for lawyers and notaries on fulfilment of the requirements of AML/CFT legislation in order to increase the effectiveness on prevention, detection and suppression of ML and TF cases and explain the procedure of information reporting to Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the first progress report	In order to further improve the identification mechanism Federal Law No.176-FZ "On Amendments to the Federal Law on Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism and to the Russian Federation Code on Administrative Offences" dated July 23, 2010 was adopted. The Law introduced the following new definitions: "Customer – an individual or legal entity serviced by an institution carrying out with monetary funds and other property"; "Beneficiary – a person whose benefit the customer acts for, in particular under a brokerage, agency, commission and grant agreement, when carrying out transactions with funds or other assets"; "Identification - a set of measures for obtaining information on customers, their representatives, and beneficiaries required by the AML/CFT Law, and verification of such information using original documents and (or) duly certified copies thereof";

	"Data (information) recording - obtaining and consolidation of data (information) in hard copy and/or in other forms in order to implement the AML/CFT Law" Rosfinmonitoring has developed the requirements for identification of customers and beneficiaries, inter alia, with consideration for a level (degree) of risk of customer involvement in ML/FT transactions and approved them by Order No.59 dated 17.02.2011. Russia established uniform standard AML/CFT requirements for both financial institutions and designated non-financial businesses and professions.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
Recommendation of the MONEYVAL Report	*With a diverse range of supervisory bodies (Rosfinmonitoring, the Assay Chamber, the Federal Notaries Chamber and the Federal Lawyers Chamber) Russia should take steps to co-ordinate the overall approach in this area.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The AML/CFT legislation designates Rosfinmonitoring as the body responsible for coordinating of the activity of other bodies with AML/CFT powers. In practice, coordination of AML/CFT activity of supervisory bodies takes place parting the framework of the AML/CFT Interagency Commission (hereafter – the Interagency Commission) set up by Ministry of Finance Order dated 25 October 2005 No. 132n. It includes representatives of state authorities and, via the Consultative Board at the Interagency Commission, consisting of representatives of self-regulating organizations (SROs). The Interagency Commission is a permanent coordinating body set up to ensure coordinated efforts by federal executive bodies concerned and the Bank of Russia in the sphere of AML/CFT. The Interagency Commission addresses the topical issues of interaction, including information exchange, works out a coordinated position on issues of international cooperation in AML/CFT, discusses proposed improvements to the AML/CFT system, examines the relevant draft laws and other interagency acts. The Interagency Commission has set up special working groups to prepare proposals relating to AML/CFT issues. In particular, in 2008 – 1half 2009 the Working Group on Legal Issues, consisting of representatives from Rosfinmonitoring, BoR, FSFM, FISS, Roscomnadzor, Ministry of Finance, the Assay Chamber and a number of SROs, elaborated a number of draft laws aimed at improvement of the AML/CFT system. Mentioned draft laws take into account Recommendations contained in the 3rd round evaluation report on the Russian Federation and then were discussed by the Interagency Commission. Recommendations on criteria and indicators of unusual transactions were developed jointly with supervisory bodies. Moreover, Rosfinmonitoring signed cooperation agreements with the relevant

	supervisory bodies (including with the Assay Chamber, the Federal Notaries Chamber, the Federal Lawyers Chamber). Rosfinmonitoring constantly disseminates information relating to the highest-risk institutions in terms of ML/TF for purposes of inspections, including unplanned inspections.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.176-FZ dated 23.07.2010 empowers all supervisory authorities to consider administrative offences covered by Article 15.27 of the Code on Administrative Offences. Rosfinmonitoring coordinates implementation of these powers by the supervisory authorities through the Interagency AML/CFT Committee and the Advisory Council established with it (meetings with the representatives of the private sector and self-regulatory organizations) by providing methodological guidelines and actively participating in the meetings of the supervisory authorities with the supervised institutions and their associations. Besides that, Rosfinmonitoring regularly disseminate briefing materials on institutions posing high ML/FT risk for arranging for their inspections/audits including unscheduled ones. Important role in coordination of the DNFBP identification and CDD efforts is played by the requirements set by Rosfinmonitoring (Order No.59 dated 17.02.2011) for identification of beneficiaries' customers which apply to both financial institutions and designated non-financial businesses and professions.
Measures taken to implement the recommendations since the adoption of the second progress report	At present, three mechanisms are used for coordinating the overall approach in the AML/CFT area. The representatives of the Assay Chamber attend to the meetings of the Interagency AML/CFT Commission on a regular basis. The representatives of the government assay supervision inspectorates also participate in the meetings and events held by Rosfinmonitoring regional departments. Besides that, the coordination efforts are also undertaken under the Agreement on Cooperation between Rosfinmonitoring and the Assay Chamber signed on December 15, 2005. This Agreement is intended, inter alia, for developing a common position on the AML/CFT-related issues raised by applicants as well as for exchanging information on an ongoing basis. In addition to that, the Assay Chamber and Rosfinmonitoring undertake cooperative efforts to raise AML/CFT awareness of business entities and individual entrepreneurs. In particular, in December 2013, Rosfinmonitoring and the Assay Chamber held the webinar to raise AML/CFT awareness of individual entrepreneurs following amendment of the AML/CFT legislation. The Assay Chamber and Rosfinmonitoring also hold regular working meetings for updating the information bulletins on common issues related to compliance with the AML/CFT regulations.
Recommendation of the MONEYVAL Report	*Russia should also examine the use of cash in the real estate sector in order to be sure that there are no important gaps in the AML/CFT system as it relates to this sector.*
Measures reported as of 23 September 2009 to implement the Recommendation	In Russia, cash settlement between legal persons as well as between a legal person and a natural person conducts entrepreneurship without establishing a legal person (including real estate agents) is strictly regulated in terms of the possible transaction amount (not to exceeding RUB 100,000 under each contract between mentioned persons) and use of cash for a specific purpose (BoR Directive dated 20 June 2007 No. 1843-U). A limit applies to cash amount that may be stored at the

of the report	cashier desk of a legal person, which is controlled by a credit institution. Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P). This procedure considerably reduces the possibility for a real estate agents to use cash payments. This is confirmed by the number of real estate transaction reports submitted by banks within the framework of mandatory control. For customers of institutions performing as real estate agents, payments via credit institutions are more reliable and minimize the risk of fraudulent schemes (payment using counterfeit money, customer's deceit).
Measures taken to implement the recommendations since the adoption of the first progress report	Number of STR filed by the real estate agents decreases which is caused by the impact of the financial crisis despite the increased number of real estate deals demonstrated by the mandatory control statistics. Partly, it may be caused by stabilization of economic situation and increasing demand of population for real estate as one of the most attractive investment facilities. However, reduction of number of reports filed by real estate agents under their internal control programs is caused by enhanced AML/CFT internal control procedures implemented by real estate agents in response to enhanced supervision exercised by Rosfinmonitoring and consequently by reduction of number of shady transactions or customers during "the lull" in the real estate market, etc.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 10 (Record keeping) **I. Regarding Financial Institutions**
Rating: Largely compliant

Recommendation of the MONEYVAL Report	*Russia should close gaps in its legal system concerning data storage.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Item 4 of Article 7 of AML/CFT Law contains a direct instruction that all documents relating to monetary funds and other property transactions as well as information required for identification must be stored for five years. This period commences from the day of termination of relations with the customer.
Measures taken to implement the recommendations since the adoption of the first progress report	As already mentioned, the Government issued new and more detailed Internal Control Rules Development Recommendations (Decree No.967-r), which pursuant to Section 7 of Article 7 of AML/CFT Law should be take into consideration by the institutions when developing such rules and procedures. In particular, Decree No.967-r prescribes to develop a program of retention of information and documents obtained in course of implementation of the AML/CFT Law and the internal rules and to ensure retention of the following documents for at least five years from the date of termination of relationship with a customer: a) documents containing information on organization's customer, beneficiary and other parties to a transaction and other documents related to customer's operations (including business correspondence and other documents at the discretion of the organization); b) documents related to relevant transactions (deals) conducted by customers and transaction (deal) reports; c) findings obtained as a result of analysis of the grounds and purposes of detected unusual transactions (deals); d) other documents obtained as a result of implementation of the internal control rules and programs. The information retention program must ensure that the information and documents are kept in such a way so as to provide access thereto in a timely manner for both Rosfinmonitoring and other public authorities (in accordance with their competence) in the cases envisaged by the legislation of the Russian Federation. Besides that, Rosfinmonitoring Order No.245 dated 05.10.2009, which regulates the procedure of filing reports with Rosfinmonitoring, requires institutions to keep documents supporting the information on transactions with funds or other assets and also documents evidencing submission of reports by institutions (persons) to Rosfinmonitoring for at least five years from the date of termination of relationship with a customer.
Measures taken to implement the recommendations since the adoption of the	See measures taken earlier. According to RF Government Resolution No.667 dated 30.06.2012 the following documents and records should be retained for 5 years following termination of business relationship with a customer:

second progress report	a) documents containing information on a customer, customer's representative and beneficiary obtained in compliance of the AML/CFT Law and other RF regulations adopted in furtherance thereof and well as in compliance with the internal control rules; b) documents on transactions (deals) that have been reported to the Federal Financial Monitoring Service and the relevant transaction reports; c) documents on transactions that should be documented in compliance with Article 7 of the AML/CFT Law and the aforementioned Government Resolution; d) documents on "internally" reported transactions (with respect to which internal reports have been filed); e) internal reports; f) finding obtained as a result of examination of background and purpose of identified unusual transactions (deals); g) documents on customer's business activity (in a scope determined by an institution), including business correspondence and other documents as may be deemed appropriate by an institution; h) other documents obtained as a result of implementation of internal controls. For ensuring compliance with the requirement set forth in Clause 4 of Article 7 of the AML/CFT Law as it pertains to retention of all documents on transactions with funds or other assets and identification data for 5 years following termination of business relationship with a customer, Regulation No.375-P provides that the AML/CFT system establishment program should include, among other things, the procedure of recording and keeping information (documents) obtained by an institution in course of implementation of AML/CFT internal controls.
Recommendation of the MONEYVAL Report	*Russia should revise the AML/CFT Law to include all the requisite requirements for information storage, even if this would duplicate the requirements established in other laws.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia has analyzed the provisions of the current legislation concerning the requirements for information storage. The process of implementing significant amendments to AML/CFT legislation is currently underway. The need for amendments that would duplicate other laws in which relevant requirements for information storage are set out will be considered additionally.
Measures taken to implement the recommendations since the adoption of the first progress report	Please see information above.
Measures taken to implement the	Please see measures taken earlier

recommendations since the adoption of the second progress report	
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	
Recommendation 10 (Record keeping) **II. Regarding DNFBP**[8]	
Recommendation of the MONEYVAL Report	*Russia should review the AML/CFT regime as it applies to DNFBPs and ensure that all of the relevant criteria are addressed. For casinos, real estate agents and dealers in precious metals and stones, the basic recommendations set out earlier in this report in relation to Recommendations 5, 6 and 8-11 are applicable, as these entities are subject to the full effect of the AML/CFT Law in Russia.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia has analyzed the application of the AML/CFT regime to all designated non-financial businesses and professions (DNFBPs). Russia has established unified AML/CFT requirements for both FIs and the majority of DNFBPs – for casinos and gambling outlets, jewellery businesses, real estate agents, and pawnshops. The relevant measures taken to eliminate the deficiencies detected and implement experts' recommendations to improve the AML/CFT system in order to ensure compliance with Recommendations 5 and 11 fully apply to the aforesaid types of DNFBPs. Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to keep records (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring has elaborated draft law which is currently being considered by the State Duma. The draft law contains amendments to Article 7.1 of the AML/CFT Law,

[8] i.e. part of Recommendation 12.

	which fully extend the requirements of Article 7 to lawyers, notaries and auditors (in terms of developing internal control rules and procedures, identifying customers and beneficial owners, recording the necessary data, and reporting information to the competent authority).
Measures taken to implement the recommendations since the adoption of the first progress report	Russia established unified standard AML/CFT requirements for both financial institutions and designated non-financial businesses and professions which are specified in detail in RF Government Decree No.967-r dated 10.06.2010 "On Approval of Recommendations for Development of AML/CFT Internal Control Rules by Institutions Engaged in Transactions with Funds or Other Property" and in Rosfinmonitoring's Order No.59 dated 17.02.2011 "On Approval of Regulation on Identification of Customers and Beneficiaries, inter alia, with Consideration for a Level (Degree) of Risk of Customer Involvement in ML/FT Transactions".
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
Recommendation of the MONEYVAL Report	*In relation to lawyers, accountants and notaries, specific provisions to address all of the relevant criteria in Recommendations 5, 6 and 8-11 should be developed. In particular, extending the CDD requirements to include their full range in the legislation. Russia should also take steps to examine ways of increasing the effectiveness of compliance with AML/CFT requirements in these sectors.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The above mentioned Federal draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which is being examined by the State Duma, would extent all CDD requirements to lawyers, notaries, and persons providing legal and accounting services. Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to keep records (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring record-keeping recommendations equally apply to lawyers, notaries and accountants.
Measures taken to implement the recommendations	Russia established uniform standard AML/CFT requirements for both financial institutions and designated non-financial businesses and professions.

since the adoption of the first progress report	
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 13 (Suspicious transaction reporting) **I. Regarding Financial Institutions**	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Russia should criminalize insider trading and market manipulation, so as to enable FIs to report STRs based on the suspicion that a transaction might involve funds generated by the required range of criminal offences.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Federal draft law "On Amendments to the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation" (establishing punishment for offences causing considerable damage to rights and interests of natural and legal persons in the securities market), which envisages criminal liability for price manipulations in the securities market; passed by the State Duma of the Russian Federal Assembly in the first reading on 8 May 2008. Additionally, in order to implement recommendations, including the ones listed in this item, the "Recommendations for developing criteria for detecting and identifying signs of unusual transactions" have been elaborated and adopted by Rosfinmonitoring's order No. 103 dated 8 May 2009. Meanwhile, the Russian Federation Financial Market Development Strategy till 2020, adopted by the RF Government Resolution dated 29 December 2008 No. 2043-r,

	establishes mandatory requirements for exchanges to monitor non-standard futures transactions and broadens the powers of exchanges to control price manipulations and insider trading in order to ensure timely detection of price manipulations and insider trading in the futures market.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.224-FZ dated 27.07.2010 On Combating Misuse of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation (adopted by the State Duma of the RF Federal Assembly on 02.07.2010) introduced amendments to Article 185.3 "Market Manipulation" of the RF Criminal Code, according to which "market manipulation" now means willful dissemination of information that is known to be false through mass media, including electronic mass media, public information and telecommunication networks (including the Internet) or carrying out transactions with financial instruments, foreign currency and (or) products or undertaking other willful actions prohibited by the RF anti-insider trading and market manipulation legislation. Besides that, Article 185.6 that envisages liability for misuse of insider information has been added to the RF Criminal Code. Amendments have also been introduced to the RF Code on Administrative Offences and establish (administrative) liability for market manipulation if such action does not constitute a crime (Article 15.30 of the Code on Administrative Offences) as well as for breach of the anti-insider trading and market manipulation legislation (Article 15.35 of the Code on Administrative Offences). Federal Law No.224-FZ dated 27.07.2010 "On Combating Misuse of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation" establishes, among other things, that in order to prevent, detect and deter misuse of insider information and market manipulation a trade organizer should exercise control over transactions with financial instruments, foreign currency and (or) products carried out at stock and commodity exchanges. When exercising such control a trade organizer should: 1) establish rules of prevention, detection and deterrence of insider trading and (or) market manipulation including criteria of transactions (bids) showing the signs of insider trading and (or) market manipulation (hereinafter irregular transactions (bids)); 2) examine irregular transactions (bids) to determine whether or not they involve misuse of insider information and (or) market manipulation. A trade organizer is authorized, subject to agreement with a self-regulatory organization that integrates trading participants, to empower such self-regulatory organization to examine irregular transactions (bids) carried out (made) by its members for revealing possible insider trading and (or) market manipulation. 3) notify the federal financial markets authority about all irregular transactions (bids) detected during each trading day and on results of their examination. When exercising control a trade organizer or a self-regulatory organization acting on its behalf are entitled to: 1) request trading participants and their employees to provide the required documents (including those received by a bidder from his customer), information and oral and written explanations; 2) take other actions provider for in the internal documents of a trade organizer and aimed at prevention, detection and deterrence of breaches of the Federal Law and

	associated regulations. Trading participants who have the grounds to believe that a transaction carried out on their behalf but at customer's expense or for and on behalf of a customer involves insider trading an (or) market manipulation are obliged to report such transaction to the federal financial market authority.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*Russia should finally introduce the obligation to report transaction attempts by one-time customers.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The State Duma is considering the Federal draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which envisages the right of institutions carrying out transactions with monetary funds or other property to deny the customer's transaction order in the following cases: - failure to present documents needed to record data (information) in cases established by the AML/CFT Law; - there is information or other circumstances giving reasons to believe that a transaction is carried out with the purpose of money laundering or terrorist financing. Under item 13 of Article 7 of AML/CFT Law, information about a denied transaction must be reported to Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the first progress report	According to Item 3 of Article 7 of the AML/CFT if the employees of an institution carrying out transactions with funds or other assets have got suspicion that any transactions are performed for the money laundering or terrorist financing purposes, such institution is obliged to report these transactions to the designate authority, irrespective of whether or not they refer to transactions that are subject to mandatory control and regardless of amount of and parties to such transactions. Besides that, pursuant to Items 11 and 13 of Article 7 of the AML/CFT Law institutions engaged in transactions with funds or other assets have the right to reject a customer's order to perform a transaction, except for crediting funds transferred to an natural or legal persons' account, if no documents required for recording information on such transaction as prescribed by this Federal Law are provided. According to Item 13 of Article 7 of the AML/CFT Law credit institutions are obliged to document and submit to the designated authority information on their refusal, on the grounds specified in this Article, to enter into a bank (deposit) account agreement with a natural or legal person and (or) to carry out a transaction not later than one business day following such refusal and in a manner specified by the RF Central Bank in coordination with the RF Government.

Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets to record information obtained in course of implementation of internal controls and related, in particular, to attempted occasional transactions that are suspected by institution staff of being related to ML/FT, and to keep such information confidential. A credit institution independently makes decision on whether or not such transaction should be reported to the designated AML/CFT authority if it suspects that the attempted transaction is related to money laundering and (or) terrorist financing.
Recommendation of the MONEYVAL Report	*Russia should raise the awareness in the non-CI FIs, at a minimum through an enhanced training programme. The training should not only focus on the legal obligations, but also include the reasons for establishing an AML/CFT system, as well as examples, typologies and cases.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	"The Provision on the requirements for the training and education of personnel for institutions carrying out transactions with monetary funds and other property in order to prevent money laundering and terrorist financing" was adopted by Rosfinmonitoring's Order dated 1 November 2008 No. 256 (agreed with the FSFM). In implementing this provision, Russia has broadened considerably the coverage of FI personnel in educational and training programs, including using the resources of the International Training and Methodological Centre of Financial Monitoring established by Rosfinmonitoring. According to this Provision, the compliance officers and other employees of the institution (including managers) must undergo mandatory AML/CFT training. Training should be conducted in different forms – in-house training (directly at the institution) at the stage of recruitment and periodical training necessitated by changes in laws or internal control procedures in place at the institution. Training is provided according to the Standard Training Program adopted by Rosfinmonitoring. As a separate subject the Program offers lectures on matters of detecting unusual transactions and deals, case studies, money laundering typologies and specific ML/TF schemes and methods. In particular, in six months of 2009 Rosfinmonitoring contributed to 88 educational events that provided training for over 3,000 employees of institutions; Roscomnadzor held 128 trainings and provided training for more than 21,600 Post of Russia employees in 2008. Meanwhile, the International Training and Methodological Centre of Financial Monitoring has carried out the following: - Standard Training Program for employees of institutions carrying out transactions with monetary funds and other property adopted by Rosfinmonitoring on 28 April 2009, and Methodological Recommendations on AML/CFT training are being currently implemented; - a training system for employees of institutions carrying out transactions with monetary funds and other property, which covers all federal districts of Russia with unified centralized database is being created; - training for DNFBPs has been singled out into a separate course of educational and methodological work at the International Training and Methodological Centre of

	Financial Monitoring.
Measures taken to implement the recommendations since the adoption of the first progress report	In order to inform the concerned employees of institutions about the AML/CFT policy and procedure, Rosfinmonitoring issued Order No.256 dated 01.11.2008, which establishes the requirements for the AML/CFT training and education of personnel of institutions involved in transactions with funds and other assets in order to prevent money laundering and terrorist financing. New revision of this Order (Order No.203 of 03.08.2010) was put into effect in October 2010. In particular, Order No.203, apart from the aforementioned provisions contained in Order no.256, requires that the personnel AML/CFT education and training program (hereinafter the Training Program) should be developed by institutions pursuant to Decree No.967-r and should include studying of money laundering and terrorist financing standard patterns and typologies as well as studying of criteria and indicators of unusual transactions. In compliance with the approved Consolidated List of Training Events of Roscomnadzor (dated February 1, 2010) intended for the professional development of Roscomnadzor employees in 2010, two training workshops were held in May and October 2010. The inspectors of the territorial offices of Roscomnadzor attending to the said workshops received training on the following subject: “Specificities of Supervision over Postal Communication Operations and in AML/CFT Sphere: Requirements, Methodology and Enhancement of Efficiency” (160 inspectors were trained). The workshops were also attended by the specialists from Roscomnadzor, Rosfinmonitoring and ITMCFM. Similar training events are scheduled for May and August 2011. Since Roscomnadzor has been empowered to handle administrative offences covered by paragraphs 1-4 of Article 15.27 of the RF Code on Administrative Offences a training in form of Video Conference was provided to the heads (deputy heads) of Roscomnadzor territorial offices, state inspectors and legal enforcement specialists in May 2011 (300 persons were trained). In August 2011 a training workshop was held for the inspectors of the territorial offices of Roscomnadzor (75 persons received training).
Measures taken to implement the recommendations since the adoption of the second progress report	In compliance with Roscomnadzor Professional Development Training Schedule two (2) training workshops on “Government Supervision of Postal Services and AML/CFT Supervision” and on “Improvement of Effectiveness of Supervision and Oversight and the Risk-Based Approach to AML/CFT Supervision” were held for inspectors of Roscomnadzor local offices in 2012. Training and professional development training was received by 240 employees of Roscomnadzor local offices. Two similar trainings were held in 2013, and 145 employees of Roscomnadzor local offices received training. Specialists of Rosfinmonitoring and the International Training and Methodology Center for Financial Monitoring (ITMCFM) regularly take part in the training events in the capacity of instructors/trainers.
(Other) changes since the second progress report	In 2014, Roscomnadzor provided training on studying and practical application of the “Methodological recommendations concerning monitoring (supervision) of compliance by the federal postal services providers with the AML/CFT legislation” to

(e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	70 employees of Roscomnadzor local offices. In June 2014, the training workshop on government monitoring (supervision) of compliance by the communication service operators with the AML/CFT legislation, including such issues as the established requirements, methodology and improvement of effectiveness, was held for the employees of Roscomnadzor local offices. A total of seventy five Roscomnadzor employees (71 employees of Roscomnadzor local offices and 4 employees of Roscomnadzor headquarters) received training and professional development training at the workshop. The training course was delivered with engagement of the specialists of Rosfinmonitoring and the International Training and Methodology Center for Financial Monitoring (ITMCFM). Taking part in the workshop were the representatives of large communication service operators licensed to independently provide mobile phone communication services and also the representatives of Post of Russia – all these entities are covered by Article 5 of AML/CFT Law No.115-FZ dated 07.08.2001. The measures taken by the communication service operators to ensure compliance with the AML/CFT legislation as well as establishment of internal controls by the new entities covered by Law were discussed at the workshop. Besides that, issues pertaining to practical compliance with the AML/CFT Law were clarified for the representatives of the supervised sectors.
Recommendation 13 (Suspicious transaction reporting) **II. Regarding DNFBP**[9]	
Recommendation of the MONEYVAL Report	*Russia should take steps to ensure that all institutions covered by the requirement to report STRs are aware of the difference between these reports and those relating to mandatory control.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Detailed recommendations on detecting, recording and examining unusual transactions are provided in the aforesaid new wording of the recommendations on developing internal control rules, which replace the current recommendations adopted by the Russian Government Decision No. 983-r, (currently being considered by supervisory bodies). The new recommendations require institutions to develop as part of their internal control rules a special program for detecting both transactions subject to mandatory control and suspicious transactions showing signs of involvement in ML, and offer a number of recommendations on detecting and examining unusual transactions. Rosfinmonitoring Order No. 103 dated 8 May 2009 adopted the recommended criteria (over 30) and indicators (close to 60) of unusual transactions, which have been expanded considerably with the indicators of newly detected unusual transactions and ML/TF schemes. A special program for detecting suspicious transactions involves examining the rationale and purpose of unusual transactions by the customer, recording the findings in writing, and analyzing other transactions of the customer in order to justify the suspicious. Besides, the institution must verify customer data or information about the customer's transaction in order to justify the suspicions that the customer's transaction is carried

[9] i.e. part of Recommendation 16.

	out in ML/TF purposes. Institution's executive makes the final decision to classify the transaction as suspicious and file an STR with Rosfinmonitoring. Moreover, the institution may take a number of the following additional measures – request the customer to provide explanations; additional information explaining the economic rationale of the unusual transaction; pay heightened attention to all transactions of this customer. Besides Recommendations No. 983-r, the differences between reporting transactions subject to mandatory control and detecting, examining and reporting unusual transactions must be explained to reporting institutions during standard training program (conferences, seminars) provided by the most experienced representatives of supervisory bodies and Rosfinmonitoring. Such training is mandatory in accordance with the Rosfinmonitoring's Order dated 1 November 2008 No. 256 approving the Provision on the requirements for the training and education of personnel for institutions carrying out transactions with monetary funds and other property in order to prevent money laundering and terrorist financing. According to this Provision, the officials and other employees of the institution (including managers) must undergo mandatory AML/CFT training. Training should be conducted in different forms – in-house training (directly at the institution) at the stage of recruitment and periodical training necessitated by changes in laws or internal control procedures in place at the institution. Training is provided according to the Standard Training Program adopted by Rosfinmonitoring. As a separate subject the Program offers lectures on matters of detecting unusual transactions and deals, case studies, money laundering typologies and specific ML/TF schemes and methods. In particular, in six months of 2009 Rosfinmonitoring contributed to 88 educational events that provided training for over 3,000 employees of FIs.
Measures taken to implement the recommendations since the adoption of the first progress report	According to Item 3 of Article 7 of the AML/CFT Law if the employees of an institution carrying out transactions with funds or other assets have got suspicion as a result of implementing the internal control program, that any transactions are performed for the money laundering or terrorist financing purposes, such institution is obliged, not later than one business day following the date of detection of such transactions, report these transactions to the authorized agency, regardless of whether they refer to transactions specified in Article 6 of the AML/CFT Law or not. A transaction is recognized by an institution as a suspicious one, in a sense that it is conducted for the money laundering or terrorist financing purposes, based on implementation of the internal control programs specified in item 2 of Article 7 of the AML/CFT Law. Decree of the RF Government No.967-r, dated June 10, 2010, obliges the institutions to develop and include in their internal control rules a special program allowing them to identify transactions subject to mandatory control and suspicious transactions showing signs of their relation to ML, and provides a series of recommendations for identifying and examining unusual transactions. Item 19 of Decree No.967 requires that the program of identifying transactions subject to mandatory control should specify the procedure of examining by an institution of background and purposes of all such transactions (deals) and documenting the findings in writing.

	Upon detection of signs of unusual transaction (deal) an institution should analyze other transactions (deals) carried out by a customer to justify the suspicion of customer involvement in ML/FT-related transactions (deals) or series of transactions (deals). It parallel an institution should take the following actions: a) request a customer to provide necessary explanations including additional information clarifying economic purpose of an unusual transaction (deal); b) pay special attention to all transactions (deals) carried out by such customer as prescribed by the recommendations; c) take other measures subject to compliance with the Russian Federation legislation. A respective record is made in the internal transaction report on actions taken by an institution with respect to a customer following the detection of an unusual transaction. The final decision on recognition of a transaction as a suspicious or unusual one and reporting it to Rosfinmonitoring is taken by the general manager of an institution. The findings obtained in the course of examination of background and purposes of detected unusual transactions and other documents obtained as a result of implementation of internal control rules and programs should be retained for at least five years from the date of termination of relationship with a customer. The FSFM of Russia has issued and published the Informative Letter “On Measures to Prevent the Use of Stock-Market Instruments in Money- Laundering Schemes” dated February 10, 2010. In this Letter the FSFM recommends the special executive officers responsible for observance of the Internal Control Rules for Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism (hereinafter the “Rules”), and professional securities market participant to take, among other things, the following measures as part of their official duties: - examine (check, analyze) the transactions suspected of being related to ML/TF and record the findings in the respective report presented to the manager (which may contain information on the grounds for examination, criteria and signs which arouse suspicions, measures taken during the examination, the findings, and the recommendations worked out based on such findings); - information on the findings obtained as a result of such examination must be included in the report on the results of implementation of internal control measures for combating money laundering and terrorist financing (hereinafter the Report) for the previous quarter; - review the Rules from time to time for the purpose of updating the criteria and signs of unusual transactions on regular basis (based on the findings of the above examinations as well). It is also recommended, based on the current AML/CFT legislation and the Rules, that the Report should include a well-grounded justification of the decision of the controller or special executive officer responsible for observance of Internal Control Rules on inexpediency of reporting a transaction to the general manager of the institution, and of the decision of the general manager of the institution not to submit the information/report on such transactions to the competent authority, and describe the verification measures undertaken and the findings obtained. The FSFM of Russia also informed the professional participants of the securities

	market about expediency of amending the Rules taking into account the above recommendations. Rosfinmonitoring posted on its web-site a number of Informative Letters clarifying the division of responsibilities related to submission of STRs and reports on transactions subject to mandatory control, e.g. Informative Letter No.15 dated 28.06.2011 and Informative Letter No.14 dated 26.05.2011.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
Recommendation of the MONEYVAL Report	*For lawyers, notaries and accountants, Russia should take steps to improve understanding of the requirements in this area, given the current low level of reporting, and the lack of information available to evaluate the effectiveness of the regime.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The Russian Ministry of Finance, the supervisory body in this area, issued a special guidance on 31 March 2009 explaining to auditors and audit firms the differences between transactions subject to mandatory control and suspicious transaction reporting. This letter is available on the official Ministry of Finance website and has been sent to professional audit associations in particular to 49 educational and methodological centres which provide professional development training programs for auditors, in frames of which 214 auditors were trained in 2008. Explanations concerning the implementation of the identifications procedure and risk assessment of the ML/TF transactions by the customer are provided in Rosfinmonitoring's Informative Letter No. 2 dated 18 March 2009 the document is also recommended for lawyers, notaries and auditors use. By Rosfinmonitoring's Order No. 103 dated 8 May 2009 a new wording of recommendations on the criteria and indicators of unusual transactions that must be taken into account upon implementing internal control procedures by notaries, lawyers, and auditors was adopted. The said recommendations contain indicators that must be used, for example, to detect fictitious firms, frontmen, etc. Permanent trainings are offered to lawyers, notaries and auditors with the participation of supervisory bodies (the Lawyers Chamber, the Notaries Chamber, the Ministry of Finance) and Rosfinmonitoring representatives in order to clarify issues of AML/CFT Law implementation.
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to Item 2 of Article 7.1 of the AML/CFT Law if a lawyer or a notary has any grounds to believe that deals or financial transactions are carried out for ML/FT purposes they are obliged to notify the designated authority thereof. Thus, lawyers and public notaries are specific parties to legal relationships related to anti-money laundering and combating the financing of terrorism bound by the above mentioned provisions of the AML/CFT Law. At the same time the supervisory agencies regularly provide the above sectors with the

	methodological assistance. The provisions of Rosfinmonitoring's Order No.203 (training for the AML/CFT purposes) and the RF Government Decree No. 967-r (new recommendations for the internal control rules development) are used by the SRO for elaboration of the appropriate recommendations for lawyers, notaries and accountants.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Annual reports on monitoring quality of operation of auditing organizations and individual auditors (that reflect, *inter alia*, the AML/CFT issues) are posted on the official website of the Ministry of Finance. Guidelines and recommendations for auditing organizations and individual auditors on how to conduct audit of annual accounting reports and financial statements of business entities are posted on the official website of the Ministry of Finance on an annual basis. These recommendations draw attention of auditors to the need of examining compliance by the audited entities with the AML/CFT Law and clarify methods and procedures of such examination. MoF Letters No.07-06-10/261 dated March 1, 2012 and No.07-06-10/678 dated June 19, 2012 on adoption of the revised FATF Forty Recommendations were disseminated to the auditor self-regulatory organizations. The Letters prescribed the auditor self-regulatory organizations to communicate this information to the members and to ensure application of the revised FATF Forty Recommendations by their members in every-day work. Letter No.07-02-05/40858 dated October 2, 2013 addressed to the heads of auditing organizations and individual auditors on application of the AML/CFT Law as it pertains to customer identification, internal controls and data recording, retention and reporting by auditing organizations and individual auditors in course of provision of auditing and other audit-related services was posted on the official website of the Ministry of Finance. The Letter was also circulated to the auditor self-regulatory organizations for further dissemination to their members. The training and methodological centers delivered AML/CFT professional development training to 1 961 auditors in 2009, 10 089 auditors in 2010, 2 453 auditors in 2011, 835 auditors in 2012 and 585 auditors in 2013. Besides that, the qualification tests, including examination of knowledge of the RF AML/CFT legislation, were passed by 1 078 auditors in 2011, by 2 070 auditors in 2012 and by 122 auditors in 2013.

Special Recommendation II (Criminalisation of terrorist financing)
Rating: Largely compliant

Recommendation of the MONEYVAL Report	*Russia should establish the offence of theft of nuclear material and expand the TF offence to include this new offence.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia has developed and submitted for the approval of the State Duma the Draft Law "On Amendments to Particular Legislative Acts of the Russian Federation in the Sphere of Anti Money Laundering and Combating the Financing of Terrorism", which would supplement the list of terrorist offences in note 1 to Article 205.1 of the RF Criminal Code with crimes stipulated in Article 220 of the RF Criminal Code ("Illegal handling of nuclear materials or radioactive substances") and Article 221 of the RF Criminal Code ("Theft or extortion with intent to procure nuclear materials or radioactive substances"). So now the TF offence criminalises the financing of all the offences that are listed in the annex to the Terrorist Financing Convention.
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to the Federal Law No. 197-FZ of July 27, 2010 "On Amendments to Certain Legislative Acts of the Russian Federation in the AML/CFT Sphere", the financing of crimes provided for in Art. 220 ("Trafficking in Nuclear Materials or Radioactive Substances") and Art. 221 ("Theft or Extortion of Nuclear Materials or Radioactive Substances") is classified as terrorist financing.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*Russian authorities should reconsider their position concerning the criminal liability of legal persons.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As for liability of legal persons, analysis of European experience relating to criminal prosecution of legal persons for ML/TF-related offences produced the following findings: 1) Russia did not assume international commitments under which legal persons involved in ML/TF crimes must be subject specifically to criminal prosecution. The relevant provisions of international treaties ratified by Russia envisage criminal, civil or administrative liability with the only condition that such sanctions be effective, proportionate and preventive in nature; 2) Analysis of international criminal laws indicates that criminal liability of legal persons essentially comes down to two measures: a) liquidation of the legal person with confiscation of its property or disqualification from a particular type of activity; b) a large fine. All these measures are stipulated in Russian laws as sanctions against legal persons engaged in terrorist or extremist activities, which include terrorist

	financing, are involved in money laundering, or commit other illegal acts. 3) Consequently, currently there is not enough justification for the creation of the institute of criminal liability of legal persons in the Russian legal system, although this issue should be reconsidered in the future. At the same time it should be noted that the aforesaid Draft Law "On Amendments to Particular Legislative Acts of the Russian Federation in the Sphere of Anti Money Laundering and Combating the Financing of Terrorism" contains an item that supplements Article 15.27 of the RF Code of Administrative Offences with a new part (Part 3), which sets forth liability for a violation of AML/CFT laws, which has resulted in money laundering or terrorist financing. Liability of legal persons for this offence is considerably strengthened.
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law No. 176-FZ of July 23, 2010 establishes severe administrative liability for organizations executing transactions with monetary funds and other property for failure to comply with the law on combating money laundering and terrorist financing resulting in an instance of money laundering or terrorist financing established in accordance with a valid court sentence. That applies if such action (inaction) does not constitute a criminal offence. This act is punishable by an administrative fine ranging from thirty to fifty thousand rubles or disqualification for a period between one and three years for officials; from five hundred thousand to one million rubles fine or administrative suspension of activity for up to ninety days for legal entities. This level of liability of legal persons in the Russian legal system is similar to criminal liability of legal persons applied in other legal frameworks. The possibility of introducing the grounds for liability of legal entities to the Criminal Code of the Russian Federation was discussed on several occasions, with the participation of the President of the Russian Federation. As a result of these discussions, the grounds for liability of legal entities in Russia are included in the Code of Administrative Offences and the Civil Code of the Russian Federation. There are many enforcement measures, including liquidation, provided by financial, administrative, arbitration, civil and other laws that exist and are successfully applied against legal entities in our country. Thus, in particular, on the grounds and in the manner prescribed by the Civil Code of Russia (Article 61), Civil Procedure Code of Russia (Art. 245), Administrative Code of Russia, Federal Laws "On Combating Extremist Activity", "On Combating Money Laundering and Terrorist Financing" and "On Countering Terrorism", any entity engaged in perpetration of an illegal activity or in other activities provided for in the existing law may be liquidated by a court decision, its financial operations may be suspended, or it may be subject to an administrative fine, administrative suspension of activities, confiscation of instrument of crime or the object of an administrative offence.
Measures taken to implement the recommendations since the adoption of the	The Russian Federation acceded to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Federal Law No.3-FZ dated 01.02.2012). In this context, the leadership of the Russian Federation instructed all relevant Ministries and Departments to consider expediency and feasibility of establishing and

second progress report	imposing criminal liability on legal entities.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Federal Law No.130-FZ enhanced liability of legal entities for FT by adding new Article 15.27.1 into the RF Code of Administrative Article 15.27.1. Provision of Financial Support to Terrorism Providing or raising funds or rendering financial services for organization, preparation or commission of at least one of the criminal offences punishable under Articles 205, 205.1, 205.2, 205.3, 205.4, 205.5, 206, 208, 211, 220, 221, 277, 278, 279 and 360 of the RF Criminal Code, or for supporting an organized group, illegal armed group, criminal community (criminal organization) that has been or is being created for committing at least one of the criminal offences listed above: is punishable by imposition of administrative fine on legal entities in amount of ten million up to sixty million rubles.

Special Recommendation IV (Suspicious transaction reporting) **I. Regarding Financial Institutions**	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The obligations of reporting institutions to file and forward TF STRs are set out in the AML/CFT Law (Article 7, items 2, 3, 10). More detailed recommendations on detecting transactions that may be associated with ML/TF are contained in Rosfinmonitoring Order No. 104 dated 11 August 2003, as well as in the following BoR letters: - BoR Letter dated 13 July 2005 No. 99-T "On methodological recommendations for credit institutions developing internal controls designed for anti money laundering and combating the financing of terrorism"; - BoR Letter dated 27 April 2007 No. 60-T "On the specifics of customer service by credit institutions using technologies of remote access to the customer's bank account (including Internet banking"); - BoR Letter dated 28 September 2007 No. 155-T "On invalid passports"; - BoR Letter dated 30 October 2007 No. 170-T "On the Specifics of providing banking

	services to non-resident legal persons that are not Russian taxpayers”; - BoR Letter dated 2 November 2007 No. 173-T “On the recommendations of the Basel Committee for Banking Supervision”; - BoR Letter dated 26 November 2007 No. 183-T “On invalid passports”; - BoR Letter dated 18 January 2008 No. 8-T “On the application of item 1.3 of Article 7 of the Federal Law ‘On Anti Money Laundering and Combating the Financing of Terrorism’ ”; - BoR Letter dated 13 January 2008 No. 24-T “On raising the effectiveness of preventing suspicious transactions”; - BoR Letter dated 4 July 2008 No. 80-T “On stepping up control over individual transactions in promissory notes by natural and legal persons”; - BoR Letter dated 3 September 2008 No. 111-T “On raising the effectiveness of preventing suspicious transactions by customers of credit institutions”; - BoR Letter dated 1 November 2008 No. 137-T “On raising the effectiveness of preventing suspicious transactions”; - BoR Letter dated 23 January 2009 No. 8-T “Supplementing BoR Letter dated 1 November 2008 No. 137-T”; - BoR Letter dated 10 February 2009 No. 20-T “On relations with financial institutions of the USA”; - BoR Letter dated 27 February 2009 No. 31-T “On information published on the Rosfinmonitoring website”. Additionally, in order to implement recommendations, including the ones listed in this item, the “Recommendations for developing criteria for detecting and identifying indications of unusual transactions” have been developed and adopted by Rosfinmonitoring order No. 103 dated 8 May 2009. Reporting entities should use these recommendations when developing their internal control rules. Notably, the list of both criteria and indicators is not exhaustive, but contains a special notion for the institutions to include additional relevant criteria/indicators at the institution’s discretion. The presence of criteria and indicators in internal control rules is required by the AML/CFT Law and the absence of such results in the refusal to approve the institution’s internal control rules. Reporting institutions must develop internal control rules (this is a mandatory AML/CFT Law obligation) on the basis of the provisions of this Law, the Know-Your-

	Customer obligations, and the abovementioned recommendations of supervisory bodies. The developed internal control rules and criteria contained in them serve as the guidance for filing TF STRs by reporting institutions.
Measures taken to implement the recommendations since the adoption of the first progress report	The Rosfinmonitoring's Order No. 103 of May 8, 2009 "On Approval of the Recommendations Concerning the Development of Criteria for Detecting and Identifying the Indicators of Unusual Transactions" is aimed at significantly raising effectiveness of the system and, inter alia, contains recommendations for criteria to identify transactions related to FT. In addition, a positive thing in terms of raising effectiveness especially in respect of the FT-related STR system are the requirements for identification of clients and beneficiaries developed by the Rosfinmonitoring and approved by Order No. 59. With the goal of intensifying efforts aimed at identifying suspicious, including connected with FT, customers' transactions, the Rosfinmonitoring released an information notice No. 17 dated August 2, 2011 regarding the criteria for identifying high-risk clients in order to conduct enhanced monitoring of their transactions, including a set of criteria aimed at monitoring and detecting transactions carried out by individuals possibly linked to terrorist financing. The Bank of Russia has continued its work on publishing recommendations for credit institutions concerning identification of transactions possibly related to terrorist financing and money laundering and notification of the competent authority (Bank of Russia Letter No. 31-T dated February 27, 2009 "On the Information Posted on Rosfinmonitoring's Website", Bank of Russia Letter No. 83-T dated June 11, 2010, Bank of Russia Letter No. 61-T dated April 28, 2010 "On the information Posted on the Official Website of the Association of Russian Banks", Bank of Russia Letter No. 129-T dated September 16, 2010 "On Strengthening the Control over Individual Transactions of Legal Entities", Bank of Russia Letter No. 19-T dated February 17, 2011 "On the Information Posted on Rosfinmonitoring's Website"), Bank of Russia Letter No. 32-T dated March 9, 2011 "On the Information Notice of the Federal Financial Monitoring Service No. 9 dated January 26, 2011.
Measures taken to implement the recommendations since the adoption of the second progress report	
(Other) changes since the second progress report (e.g. draft laws,	Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets to record information obtained in course of implementation of internal controls and related, in particular, to attempted occasional transactions that are suspected by institution staff of being related to ML/FT, and to keep such information

draft regulations or draft "other enforceable means" and other relevant initiatives	confidential. In February 2014, the information bulletin on typical issues pertaining to application of certain provisions of the AML/CFT Law dated 07.08.2011 was posted by Rosfinmonitoring on its official website. The procedure of filing the relevant reports by credit institutions with the designated AML/CFT authority is established in BoR Directive No.3063-U dated 19.09.2013 on Procedure of Reporting by Credit Institutions to the Designated AML/CFT Authority on Measures Taken to Freeze (Restrain) Funds or other Assets of Entities and Individuals and on Identification of their Corporate and Individual Customers who are Liable to Freezing Measures. Besides that, Bank of Russia proceeded with issuing guidelines and recommendations for credit institutions concerning identification of transactions potentially related to ML/FT and reporting such transactions to the designated AML/CFT authority. (These include BoR Letter No.90-T dated 28.06.2012 "On Information Posted on the Official Website of the Federal Tax Service", BoR Letter No.107-T dated 23.07.2012 "On Bringing AML/CFT System and AML/CFT Internal Controls in Line with the Requirements of Bank of Russia", BoR Letter No.167-T dated 07.12.2012 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.176-T dated 21.12.2012 "On Information Published by the Federal Tax Service on Legal Entities that have been or are being Liquidated", BoR Letter No.32-T dated 28.02.2013 "On Information Published by the Federal Tax Service on Legal Entities that cannot be Contacted (are not Located) at the Addresses (Locations) Indicated in the Unified Register of Legal Entities", BoR Letter No.73-T dated 17.04.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.104-T dated 10.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.110-T dated 19.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.150-T dated 07.08.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.193-T dated 30.09.2013 "On Mitigating the Risk of Loss of Business Reputation by Authorized Banks and their Involvement in ML/FT").

Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	"Recommendations for developing criteria for detecting and identifying indications of unusual transactions" have been developed and adopted by Rosfinmonitoring order No. 103 dated 8 May 2009. Reporting entities should use these recommendations when developing their internal control rules. Notably, the list of both criteria and indicators is not exhaustive, but contains a special notion for the institutions to include additional relevant criteria/indicators at the institution's discretion. The presence of criteria and indicators in internal control rules is required by the AML/CFT Law and the absence of such results in the refusal to approve the institution's internal control rules. Reporting institutions must develop internal control rules (this is a mandatory AML/CFT Law obligation) on the basis of the provisions of this Law, the Know-Your-Customer obligations, and the abovementioned recommendations of supervisory bodies. The developed internal control rules and criteria contained in them serve as the guidance for filing TF STRs by reporting institutions.
Measures taken to implement the recommendations since the adoption of the first progress report	In addition, a positive thing in terms of raising effectiveness especially in respect of the FT-related STR system are the requirements for identification of clients and beneficiaries developed by the Rosfinmonitoring and approved by Order No. 59.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets, lawyers, notaries, accountants and other legal professionals to record information obtained in course of implementation of internal controls and related, in particular, to attempted occasional transactions that are suspected by institution staff of being related to ML/FT, and to keep such information confidential.
(Other) changes since the second progress report	

(e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

2.3. Other Recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 6 (Politically exposed persons)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Further guidance should be given as to the requirements for dealing with existing customers who are found to be foreign public persons, establishing the source of wealth and conducting enhanced ongoing due diligence Also, the measures should extend to beneficial owners. Russia should also consider extending the provisions to include domestic PEPs.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia adopted Federal Law No. 121-FZ dated 3 June 2009, which establishes the following additional obligations for institutions carrying out transactions in monetary funds when serving foreign PEPs: 1) take reasonable measures available under the circumstances to detect foreign PEPs among the existing or potential private customers; 2) provide services to foreign PEPs only based on a written decision by the executive of the institution carrying out transactions with monetary funds and other property, or the executive's deputy, as well as the manager of the separate unit of the institution carrying out transactions with monetary funds and other property, to whom the institution's executive or his deputy authorised the appropriate power; 3) take reasonable measures available under the circumstances to determine the sources of monetary funds or other property owned by the foreign PEPs; 4) regularly update the information at the disposal of the institution carrying out transactions with monetary funds and other property about foreign PEPs among its customers; 5) pay particular attention to transactions with monetary funds and other property carried out by foreign PEPs, their spouses, family members (direct family members in

	the upward or downward line (parents and children, grandparents and grandchildren), blood siblings and half siblings (siblings having a common father or mother), adoptive parents and adopted children) or on behalf of such persons, if they are customers of the credit institution. Russia adopted Federal Law No. 273-FZ “On countering corruption” dated 25 December 2008. The Law establishes the basic principles of countering corruption, legal and organizational fundamentals for preventing and combating corruption, minimizing and (or) eliminating consequences of crimes of corruption. It is supplemented by the RF Presidential Decree dated 18 May 2009 No. 557, establishing lists of state employees who are obligated to report on their and their family members income. Therefore, Russia has created the legal base for monitoring incomes of Russian PEPs. Russia has analyzed the expedience of extending measures of enhanced transaction monitoring to Russian PEPs, with the analysis results presented to the Russian Government. Such approach is considered to be expedient, and the elaboration of appropriate draft laws is underway. A number of organizational measures have been also adopted. Under the RF Presidential Decree dated 6 September 2008 No. 1316 “On certain issues of the Ministry of Internal Affairs of the Russian Federation” the anti-organized crime service was reorganized, and duties of combating corruption were assigned to the Russian MIA units counteracting economic crimes.
Measures taken to implement the recommendations since the adoption of the first progress report	Sub-items 3 and 4 of Item 1 of Article 7.3 of the AML/CFT Law (as amended by Article 3 of the Federal Law No. 121-FZ) impose on organizations executing transactions with monetary funds or other assets the responsibility to apply reasonable and available in given circumstances measures necessary to determine the origin of the monetary funds or other assets owned by the foreign PEP, as well as to regularly update the information available to organizations executing transaction with monetary funds or other assets on their existing customers who are foreign public officials. Federal Law No. 176-FZ dated July 23, 2010 introduces the term "beneficiary". Pursuant to the above Federal Law, financial institutions, especially credit institutions, should receive accurate information on the beneficial owners of their clients and apply measures provided by the AML/CFT Law. On April 28, 2011, the President of Russia introduced the draft law to the State Duma "On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Raising of Standards of State Governance in the Area of Corruption Combating", which is aimed at solution of a number of conceptual problems. On June 1, 2011, the draft law was adpted by the State Duma in first reading. Thus, in order to raise effectiveness of the activities aimed at verifying the accuracy and completeness of data on income, property and property obligations, the Federal Laws "On Banks and Banking" and "On State Registration of Rights to Immovable Property and Transactions therewith", as well as the Tax Code of the Russian Federation, are supplemented by a provision, pursuant to which all banks and other lending institutions, as well as all registering and tax authorities are obliged under the anticorruption law to submit to the leadership (officials) of the federal state authorities, the list of which is to be determined by the President of the Russian

	Federation, and to high-ranking officials of subjects of the Russian Federation (heads of higher executive authorities of subjects of the Russian Federation) the information on the income, property and property obligations (including information on transactions, accounts and deposits) of citizens applying for public jobs in the Russian Federation, the post of a judge, public jobs in subjects of the Russian Federation, posts of heads of municipalities, municipal jobs that are occupied on permanent basis, jobs in the federal public service, state civil service of subjects of the Russian Federation, municipal service, leadership positions in a public corporation, a fund or other entity that is being created by the Russian Federation in accordance with the federal law, certain jobs that are occupied under an employment contract in organizations, institutions and enterprises that are being created to perform the tasks assigned to federal government agencies; of individuals occupying the above jobs; the spouse and minor children of these individuals and entities.
Measures taken to implement the recommendations since the adoption of the second progress report	In addition to implementing the measures set forth in clause 1 of Article 7 of the AML/CFT Law Article 7.3 of this Law also obliges institutions engaged in transactions with funds or other assets to take measures that are reasonable and available under the circumstances for identifying, among their existing and potential individual customers, foreign public officials, officials of international public organizations and persons holding the sate positions (jobs) in the Russian Federation, members of the Board of the RF Central Bank and persons holding positions in the federal government agencies who are appointed and dismissed by the RF President or Government and also persons holding positions in the RF Central Bank, government-owned corporations and other organizations established by the Russian Federation under the national legislation that are included in this list of job positions adopted by the RF President. In a situation where financial transactions carried out by customers who are the officials of international public organizations or the persons holding the state positions (jobs) in the Russian Federation, members of the Board of the RF Central Bank and persons holding positions in the federal government agencies who are appointed and dismissed by the RF President or Government, persons holding positions in the RF Central Bank, government-owned corporations and other organizations established by the Russian Federation under the national legislation that are included in this list of job positions adopted by the RF President are considered by a credit institution as posing high ML/FT risk, such transactions are covered by the requirements set forth in paragraphs 2-5 of clause 1 of Article 7.3 of the AML/CFT Law. These requirements oblige institutions engaged in transactions with funds or other assets to comply with the following obligations: - establish business relationships with officials of international public organizations and the Russian public officials only upon written approval of the CEO or deputy CEO of an institution engaged in transactions with funds or other assets, or upon written approval of the senior manager of a stand-alone division of such institution who is duly authorized to grant such approval by the CEO or deputy CEO of the institution; - take measures that are reasonable and available under the circumstances for identifying source of origin of funds or other assets of officials of international public organizations and the Russian public officials;

	- regularly update information available to an institution engaged in transactions with funds or other assets on the existing customers who are officials of international public organizations and the Russian public officials; - pay special attention to transactions with funds or other assets carried out by the existing customers who are officials of international public organizations and the Russian public officials, their spouses, family members (direct family members in the upward or downward line (parents and children, grandparents and grandchildren), blood siblings and half siblings (siblings having a common father or mother), adoptive parents and adopted children), or on behalf of such persons, if they are the customers of a credit institution. Russia adopted Federal Law No.230-FZ dated 03.12.2012 "On Monitoring Consistency of Expenses of Public Officials and other Persons with their Income". Pursuant to RF President Decree No.309 dated 02.04.2013 Rosfinmonitoring is engaged in performing such monitoring. Following adoption of Federal Law No.79-FZ on Prohibition to Particular Categories of Citizens to Open and Hold Accounts (Deposits), Keep Cash Funds and other Valuables in Foreign Banks Located outside the Russian Federation, to Own and (or) Use Foreign Financial Instruments, the relevant amendments were introduced into AML/CFT Law No.115-FZ. According to these amendments Rosfinmonitoring is obliged to inform the competent authorities of foreign countries (to enable them to properly implement the FATF Recommendations) on prohibition to the persons holding the state positions (jobs) in the Russian Federation, the first deputy and deputies of the General Prosecutor of Russian Federation, members of the Board of the RF Central Bank, persons holding state positions (jobs) in the RF constituent regions, persons holding positions in the federal government agencies who are appointed and dismissed by the RF President or Government or General Prosecutor, deputy heads of the federal executive agencies, persons holding positions in the government-owned corporations (companies), foundations and other organizations established under the federal laws who are appointed and dismissed by the RF President or Government, heads of municipalities and urban areas and spouses and minor children of the above persons to open and hold accounts (deposits), keep cash funds and other valuables in foreign banks located outside the Russian Federation, to own and (or) use in the situations specified in Federal Law No.79-FZ. BoR Regulation No.375-P requires credit institutions to develop the customer, customer's representative, beneficiary and beneficial owner identification program. This identification program includes a set of measures aimed at identifying by a credit institution, among its existing and potential individual customers, persons indicated in Article 7.3 of AML/CFT Law No.115-FZ (clause 3.2 of BoR Regulation No.375-P). The fact that customer has the status of the person indicted in Article 7.3 of AML/CFT Law No.115-FZ, affects the customer risk assessment by a credit institution (clause 4.4 of BoR Regulation No.375-P). Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets to take measures that are reasonable and available under the circumstances for identifying beneficial owners, *inter alia*, to obtain and ascertain information specified in the AML/CFT Law. For further improvement of the anti-corruption mechanism the following Presidential

	Decrees were issued: RF President Decree No.180 dated February 13, 2012 "On the RF Authorities in Charge of Implementing Convention on Combating Bribery of Foreign Public Officials in International Business Transactions"; RF President Decree No.297 dated March 13, 2012 "On the National Anti-Corruption Action Plan for 2012 - 2013 and on Amendments to Certain Anti-Corruption Acts of the RF President"; RF President Decree No.309 dated April 2, 2013 "On Measures for Implementing the Federal Law on Combating Corruption"; RF President Decree No.310 dated April 2, 2013 "On Measures for Implementing Certain Provisions of the Federal Law on Monitoring Consistency of Expenses of Public Officials and other Persons with their Income"; RF President Decree No.613 dated July 8, 2013 "On Anti-Corruption Issues"; RF President Decree No.226 dated April 11, 2014 "On the National Anti-Corruption Action Plan for 2014 – 2015".
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 7 (Correspondent banking)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*All of the relevant criteria should be set out in law, regulation or other enforceable means, particularly the need to understand the nature of the respondent bank's business and to ascertain whether the respondent's AML/CFT system is adequate and effective. The requirement to document the respective AML/CFT responsibilities of banks should also be covered, and Russia should consider formalizing its requirements in relation to payable-through accounts.*
Measures reported as of 23 September 2009 to implement the Recommendation	Federal draft law "On Amendments to Article 7 of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" and Part Two of the Civil Code of the Russian Federation" stipulates that, while establishing correspondent relations, credit institutions must make reasonable measures available under the circumstances to obtain – in addition to the information

of the report	stipulated in this Article – information about the adequacy of AML/CFT measures being undertaken by the credit institution or non-resident bank with which they expect to establish correspondent relations.
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to Item 5 of Article 7 of the AML/CFT Law, credit institutions are prohibited from establishing and maintaining relations with non-resident banks which do not have permanent governing bodies in jurisdictions they are registered in. The requirement of Item 5.1 of Article 7 of the AML/CFT Law: credit institutions are obliged to take measures aimed at preventing the establishment of relations with non-resident banks whose accounts are known to be used by banks which do not have permanent governing bodies in jurisdictions they are registered in. Pursuant to Item 3.4 of the Regulations of the Bank of Russia No. 262-P, when establishing correspondent relations with a non-resident bank, the credit institution should require the submission of the following identification data: 1. Full and (if available) abbreviated name, as well as name in foreign language. 2. Organizational and legal form. 3. Taxpayer Identification Number (for residents); taxpayer identification number or a foreign institution code (for non-residents), if available. 4. State registration details: date, ref. No., name of registering authority, place of registration. 5. Street address and postal address. 6. Details of the license to engage in activities subject to licensing: type, Ref. No., when and by whom issued; validity, a list of licensed activities. 7. Bank identification code (for resident credit institutions). 8. Information on the management of a legal entity (structure and composition of the governing body of a legal entity). 9. Information on the size of the registered and paid-for statutory (equity) capital or the size of the statutory fund, assets. 10. Information concerning the presence or absence of the legal entity, its permanent governing body, other body or individual authorized to act on behalf of such legal entity without power of attorney, at the specified place of business. 11. Contact telephone and fax numbers, as well as details of the measures taken by the non-resident bank to combat money laundering and terrorist financing. The Central Bank of the Russian Federation issued the Instruction No. 1317-U dated August 7, 2003 "On the Procedure for Establishment by Authorized Banks of Correspondent Relations with Non-Resident Banks Registered in States and Territories with Preferential Tax Regimes and (or) not Requiring the Disclosure and Provision of Information on Financial Transaction during their Execution (offshore zones). It imposes rather strict conditions for establishing correspondent relations with banks of several states and territories. Additionally, all transactions with residents of the countries or territories listed in the Instruction of the Bank of Russia No. 1317-U are classified by paragraph 2.9.2 of the

	Regulations No. 262-P of the Bank of Russia as high-risk transactions.
Measures taken to implement the recommendations since the adoption of the second progress report	Pursuant to Regulation No.375-P the customer, customer's representative, beneficiary and beneficial owner identification program developed by credit institutions should include the specific identification procedure used when establishing correspondent relationships with other credit institutions other than foreign banks and also the specific identification procedure used when establishing correspondent relationships. These programs should be developed with due consideration for a respondent bank business profile and should include measures for assessing quality of supervision and establishing whether or on a respondent bank has been subject to ML/FT investigation. BoR Directive No.3179-U dated 21.01.2014 "On Amendments to BoR Regulation No.262-P dated August 19, 2004 on Identification by Institutions of Customers and Beneficiaries for AML/CFT Purpose" extended the list of the aforementioned information that should be requested by a credit institution when establishing correspondent relationship with a responded bank in compliance with clause 3.4 of BoR Regulation No.262-P. The extended list includes information on purpose and intended nature of business relationship with a credit institution, its business profile, financial standing and business reputation.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 8 (New Technologies and Non-Face-to-Face Business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should analyze the existing limited requirements (which mostly relate to remote banking) and implement appropriate measures based on analysis findings.*

Measures reported as of 23 September 2009 to implement the Recommendation of the report	BoR has analysed the possible abuses in this sphere and started particular activity in preparation a number of differentiated measures aimed at decreasing ML/TF risks when a client carries out transactions using remote banking service technologies and including approaches to the clients identification procedures and carrying our AML internal control. This work will result in adoption of new wording of BoR Regulations #262-p dated 19 August, 2004 “On the Identification by Credit Institutions of Clients and Beneficiaries for the Purposes of Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism”.
Measures taken to implement the recommendations since the adoption of the first progress report	On June 27, 2011 Federal Laws No. 161-FZ and No. 162-FZ "On National Payment System" and "On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On National Payment System'" were adopted, which address, to a considerable extend, the issue concerning the regulation of new technologies used by the financial institutions. Also, given the established in the AML/CFT Law and widely applicable requirements for client identification, it is not possible for non-credit institutions to execute a transaction without personal presence of the client or his representative. No identification is required only with least in respect of transactions in the amount not exceeding 15,000 rubles with minimal ML/FT risks. Moreover, the AML/CFT Law has been supplemented by the requirement to carry out the identification of the client executing a low-risk transaction if there is a suspicion of ML/FT. Thus, the relevant requirements have been put in place. Pursuant to Rosfinmonitoring' Order No. 103 that approves the recommendations concerning the criteria and signs of unusual transactions, all client's transactions executed remotely, as well as the issuance of orders to execute transactions requiring no personal contact with an institution, constitute the basis for submitting a STR to the Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the second progress report	In pursuance of Federal Law No.161-FZ the RF Central Bank issued BoR Regulation No.378-P dated May2, 2012 “On Procedure of Filing a Payment System Operator Registration Application with the Bank of Russia”, BoR Regulation No.379-P dated May 31, 2012 “On Failure-Free Operation of Payment Systems and Payment System Risk Analysis”, BoR Regulation No.380-P dated May 31, 2012 “On Procedure of Monitoring of the National Payment System Operation”, BoR Regulation No.381-P dated June 9, 2012 “On Procedure of Supervision of Compliance by Payment System Operators other than Credit Institutions and by Payment Service Providers of Federal Law No.161-FZ dated June 27, 2011 of the National Payment System and BoR Regulations Adopted in furtherance thereof”, BoR Regulation No.382-P dated June 9, 2012 “On Requirements for Protection of Fund Transfer Information and Monitoring by the Bank of Russia of Compliance with the Fund Transfer Information Protection Requirements”, BoR Regulation No.383-P dated June 19, 2012 “On Fund Transfer Rules” and BoR Regulation No.384-P dated June 29, 2012 “On BoR’s Payment System”. The BoR Regulations listed above are primarily intended for clarifying the provisions

	of the relevant federal legislation to ensure proper compliance with this legislation by financial and non-financial institutions. For ensuring enhanced control and monitoring by credit institutions of transactions carried out by their customers with the use of remote banking technologies and for identifying transactions potentially related to ML/FT Resolution No.357 requires that the AML/CFT internal control rules of credit institutions should include the following elements: procedure of dealing with customers to whom remote banking services are provided, including requests for information and documents needed for identification of such customers; special procedures for identifying remote banking transactions that are subject to mandatory monitoring; and list of measures to be undertaken by a credit institution with respect to a customer and his/her/its transactions in a situation where such customer carries out repeated and (or) large transactions that are suspected of being related to ML/FT. In addition to that, remote banking transactions suspected of being carried out not by a customer (his/her/its representative), but by a third party are listed in the Annex to Resolution No.375-P as one on the indicators of unusual transactions.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 11 (Unusual transactions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should require FIs to examine as far as possible the background and purpose of all unusual transactions and to set forth the findings of such examinations in writing and to keep such findings available for competent authorities and auditors for at least five years. Russia should additionally make sure that FIs are no longer confused about the distinction between mandatory threshold reporting (> RUB 600 000) and examining the background of unusual transactions. Also, Russia should provide more guidance to the FIs, especially to make clear that the types of unusual transactions listed in laws and regulations are neither exhaustive nor closed.*

Measures reported as of 23 September 2009 to implement the Recommendation of the report	Rosfinmonitoring has prepared a new wording of recommendations on developing internal control rules, which replaces the current recommendations adopted by RF Government Decision No. 983-r and is being currently considered by the supervisory bodies. The new wording of Decision No. 983-r envisages the development of a program for detecting transactions subject to mandatory control and unusual transactions. As part of this program the procedure according to which the institution must examine the rationale and purpose of unusual transactions and record the findings in writing should be developed (item 3.3.3). Moreover, institutions must monitor and control current transactions to assess the risk of ML/TF in the customer's transactions and constantly monitor the customer's transactions in case of heightened risk or unusual transactions in the customer's activity. Pursuant to the new wording of the Recommendations, the internal control rules must include a program of information and records storage, which obligates the institution to store the findings of the examination of the rationale and purposes of unusual transactions for at least five years from the date of termination of relations with the customer (item 3.10.1). Furthermore, the record-keeping program must ensure that information and records are stored in such a way that would make them available timely to the competent authority and other state authorities in cases stipulated in Russian legislation within their respective terms of reference (3.10.2). The new wording requires institutions to develop as part of their internal control rules a special program for detecting both transactions subject to mandatory control and unusual transactions showing signs of involvement in ML, and offers a number of recommendations on detecting and examining unusual transactions. The institution is required to establish a procedure for detecting transactions with specific indicators that may reflect link with ML. The institution must develop these indicators taking into account the specifics of its activity and Rosfinmonitoring recommendations. The institution must examine the rationale and purposes of unusual transactions and record the findings in writing. Besides, the institution must verify customer data or information about the customer's transaction in order to justify the suspicions that the customer's transaction is carried out in ML/TF purposes. Institution's executive makes the final decision to classify the transaction as unusual or suspicious and file an STR with Rosfinmonitoring. Moreover, the institution may take a number of the following additional measures – request the customer to provide explanations; additional information explaining the economic rationale of the unusual transaction; pay heightened attention to all transactions of this customer. A distinctive feature of transactions subject to mandatory control is that they must be reported to Rosfinmonitoring by virtue of the requirements of the AML/CFT Law regardless whether or not the institution's employees and executive have any suspicions. Besides Recommendations No. 983-r, the differences between reporting transactions subject to mandatory control and detecting, examining and reporting unusual transactions must be explained to reporting institutions during standard training program (conferences, seminars) provided by the most experienced representatives of

	supervisory bodies and Rosfinmonitoring. Such training is mandatory in accordance with the Rosfinmonitoring's Order dated 1 November 2008 No. 256 approving the Provision on the requirements for the training and education of personnel for institutions carrying out transactions with monetary funds and other property in order to prevent money laundering and terrorist financing. The number of STRs filed with Rosfinmonitoring in 2008 has doubled that testifies awareness raising of differences between mandatory control and filing STRs. Pursuant to the AML/CFT Law and the new wording of Decision No. 983-r, the institution must develop detection criteria and signs of unusual transactions taking into account specifics of the institution's activity and Rosfinmonitoring recommendations developed jointly with supervisory bodies. By the Order No. 103 dated 8 May 2009, Rosfinmonitoring approved a new wording of the recommended criteria and signs of unusual transactions, which must be incorporated into internal control rules of organisations. The list of both criteria and indicators is not comprehensive, but contains a special reference for the institution to include other criteria/indicators at the institution's discretion. Availability of criteria and indicators in internal control rules is required by the AML/CFT Law and the absence of them may result in the refusal to approve the institution's internal control rules. From 1 January 2007 to the present the BoR issued a number of regulations containing recommendations for credit institutions on additional monitoring of transactions conducted via credit institutions, which may be aimed at money laundering or terrorist financing to provide additional methodological support for detection of unusual or suspicious transactions by credit institutions. BoR Letter dated 27 April 2007 No. 60-T "On the special features of the service by credit organisations of clients with the use of the technology of distance access to the bank account of a client (including Internet banking"; BoR Letter dated 28 September 2007 No. 155-T "On invalid passports"; BoR Letter dated 30 October 2007 No. 170-T "On the Special features of the acceptance for bank servicing of non-resident juridical persons which are not Russian taxpayers"; BoR Letter dated 2 November 2007 No. 173-T "On the recommendations of the Basel Committee for Banking Supervision"; BoR Letter dated 26 November 2007 No. 183-T "On invalid passports"; BoR Letter dated 18 January 2008 No. 8-T "On the application of item 1.3 of Article 7 of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism"; BoR Letter dated 13 January 2008 No. 24-T "On raising the effectiveness of preventing suspicious transactions"; BoR Letter dated 4 July 2008 No. 80-T "On strengthening control over individual transactions in promissory notes by natural and legal persons"; BoR Letter dated 3 September 2008 No. 111-T "On raising the effectiveness of preventing suspicious transactions by customers of credit institutions"; BoR Letter dated 23 January 2009 No. 8-T "Supplementing BoR Letter dated 1 November 2008 No. 137-T"; BoR Letter dated 10 February 2009 No. 20-T "On relations with financial institutions of the USA"; BoR Letter dated 27 February 2009 No. 31-T "On information published on the Rosfinmonitoring website"; BoR Letter dated 01 November 2008 No.137-T "On raising the effectiveness of preventing suspicious transactions"
Measures taken to implement the recommendations	The Federal law No. 176-FZ, interprets the term "data (information) recording" as the receipt and recording of the data (information) on paper and (or) other information media for the purpose of enforcing of the AML/CFT Law.

since the adoption of the first progress report	During the evaluation, the experts were informed that, pursuant to the third paragraph of item 2, and item 4 of Article 7 of the AML/CFT, as well as in accordance with the rules of internal control, all institutions executing transactions with monetary funds and other assets should record the information obtained as a result of enforcement of the said rules and application of internal control measures and ensure confidentiality of such information. Furthermore, all documents containing the information specified in Article 7 of the AML/CFT, and the information necessary to identify an individual, should be stored for a period of at least five years. The said period is calculated from the date of termination of the relationship with the client. Pursuant to Item 3 of Article 7 of the AML/CFT, should employees of an institution executing transactions with monetary funds or other assets begin to suspect as a result of implementing internal control measures that any one of the transactions in question is linked to money laundering or terrorist financing, such institution should, no later than the business day following the date of detection of a suspicious transaction, submit the data on such transaction to the competent authority, regardless whether such transaction is related or not related to the transactions specified in Article 6 of the AML/CFT Law. A transaction is recognized by the institution as a suspicious one, i.e. conducted for the money laundering or terrorist financing purposes, basing on implementation of the internal control programs specified in item 2 of Article 7 of the AML/CFT Law. The Bank of Russia has continued to issue recommendations to credit institutions concerning additional monitoring of transactions conducted through credit institutions and possibly linked to money laundering and terrorist financing (Bank of Russia Letter No. 31-T dated February 27, 2009 "On Information Posted on Rosfinmonitoring's Website", Bank of Russia Letter No. 83-T dated June 11, 2010, Bank of Russia Letter No. 61-T dated April 28, 2010 "On the Information Posted on the Official Website of the Association of Russian Banks", Bank of Russia Letter No. 129-T dated September 16, 2010 "On Strengthening the Control over Certain Transactions Executed by Legal Persons", Bank of Russia Letter No. 19-T dated February 17, 2011 "On the Information Posted on Rosfinmonitoring's Website"), Bank of Russia Letter No. 32-T dated March 9, 2011 "On the Newsletter of the Federal Financial Monitoring Service No. 9 dated January 26, 2011. Russian Federation Government Decree No. 967-r requires organizations to develop within the internal control rules a special program to be used for identification of both transactions subject to mandatory control and transactions suspected of being linked to ML, and gives a number of recommendations related to identification and study of unusual transactions. Furthermore, the Rosfinmonitoring has outlined the recommendations concerning the criteria for identification and the signs of unusual transactions in the Order No. 103, which is regularly updated. Also, Item 19 of the Decree No. 967-r requires the program used for identification of transactions subject to mandatory control to contain a procedure for studying by organizations of the grounds and goals for the execution of all similar transactions, as well as to record the obtained results in writing. Upon detection of any signs of an unusual transaction, the organization is required to analyze all other transactions executed by the client in question to see if their

	suspicions of ML /FT are validated. At the same time, the organization is required to also take the following steps: a) ask the client to provide the necessary explanations, including additional information explaining the economic sense of the unusual transaction; b) pay extra attention to all transactions executed by this client, as required by these recommendations; c) take other necessary measures permitted by the laws of the Russian Federation. A relevant record pertaining to the measures taken by the organization in respect to the client and in connection with the identified unusual transaction or its signs must be made in an internal transaction report. The results of the study of the grounds and goals for the identified unusual transaction; other documents resulting from the implementation of internal controls and programs should be kept for a period of at least 5 years from the date of termination of the relationship with the client. The organization is required to establish procedures, developed with the view of its activity features and Rosfinmonitoring's recommendations, to identify transactions with characteristics that may link them to ML/FT. The organization is required to study the grounds and goals of unusual client's transactions, as well as to record the obtained results in writing. Additionally, the organization must verify the information on the client or his transactions in order to ascertain if the suspected transaction is linked to ML / FT. The final decision concerning the classification of a transaction as suspicious or unusual, as well as the decision to submit the information on it to the Rosfinmonitoring should lie with the executives. Additionally, the organization may take additional measures such as ask the client to provide the necessary explanations, including additional information explaining the economic sense of the unusual transaction; pay extra attention to all transactions executed by this client. In its information notice dated February 10, 2010 "On Measures to Prevent the Use of Equity Market Instruments in Money Laundering Schemes", the Russian Federal Financial Markets Service recommends officials responsible for enforcement of the Rules of Internal Controls in the area of combating money laundering and terrorist financing (hereinafter the "Rules") as well as professional securities market participants to implement, inter alia, the following measures: - examine (study, analyze) the transactions suspected of being linked to money laundering and terrorist financing and record the results thereof in an appropriate report to be submitted to the supervisor. The said report may contain such information as the grounds for the examination criteria and signs that caused the suspicion, actions taken during the examination, examination results, recommendations; - include the results of such examinations into the report on measures of internal controls taken to combat money laundering and terrorist financing (hereinafter the "Report") for the previous quarter; - regularly, including as a follow up from the said examinations, revise the Rules in

	order to update the criteria for the identification and signs of unusual transactions. While being guided by the existing law on combating money laundering and terrorist financing and the Rules, it is also recommended that the supporting arguments against the submission of a transaction report to the organization director by the supervisor or a designated official responsible for enforcement of the Rules, as well as its submission to the competent authority by the organization director should be included in the Report, along with the description of the follow-up measures taken and their results Additionally, the Federal Financial Markets Service of Russia has informed professional participants of the securities market about the need to amend and supplement the Rules with regard to the above recommendations.
Measures taken to implement the recommendations since the adoption of the second progress report	RF Government Resolution No.667 dated 30.06.2012 "On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government" came into force on July 17, 2012. Pursuant to this Resolution the institution's internal control rules should include the program of identification of transactions (deals) potentially related to ML/FT (hereinafter transaction identification program). The transaction identification program includes the procedures of identifying unusual transactions (deals), including those that meet criteria and indicators of unusual transactions potentially related to ML/FT. The transaction identification program includes measures for ensuring ongoing monitoring of customers' transactions. For ensuring identification of unusual transactions potentially carried out for ML/FT purposes the transaction identification program requires to pay enhanced attention to (monitoring of) transactions performed by higher-risk customers. For ensuring identification of unusual transactions potentially related to ML/FT the transaction identification program contains the list of indicators of unusual transactions and criteria for their identification. The transaction identification program establishes the procedure of reporting an unusual transaction (that is subject to monitoring) by an employee who has detected it to the designated AML/CFT officer who makes decision of further actions to be taken in compliance with the AML/CFT Law, Resolution No.667 and internal control rules. Upon detection of unusual transaction indicators, the transaction identification program requires to conduct analysis of other transactions of such customer and also analysis of information on such customer and customer's representative and beneficiary (if any) available to an institution for justifying suspicions that the transaction or series of transactions are carried out for ML/FT purposes. Pursuant to the transaction identification program a credit institution should examine the background and purpose of all detected unusual transactions and establish the findings in writing. The transaction identification program specifies the situations where a credit institution should take additional measures for examining the detected unusual transactions, after which a relevant decision should be made by the institution's CEO

	or authorized officer with respect to such unusual transaction. Besides that, the program establishes the examination and decision making procedure. At present, the updated indicators of unusual transactions potentially related to ML/FT and criteria of their identification developed by Rosfinmonitoring are submitted to the relevant government authorities for consideration and approval. The Bank of Russia proceeds with issuing regular guidelines and recommendations for credit institutions concerning additional monitoring of transactions that are carried out through credit institutions and may be related to ML/FT. In particular, the following letters were circulated by Bank of Russia since adoption of the previous report: BoR Letter No.90-T dated 28.06.2012 “On Information Posted on the Official Website of the Federal Tax Service”, BoR Letter No.157-T dated 16.11.2012 “On Exercising by Authorized Banks of Control of Foreign Exchange Transactions related to Payment for Goods Moved across the Customs Union Territory”, BoR Letter No.167-T dated 07.12.2012 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.176-T dated 21.12.2012 “On Information Published by the Federal Tax Service on Legal Entities that have been or are being Liquidated”. Pursuant Regulation 375-P the AML/CFT internal control rules developed by credit institutions should include the program of identification of customers’ transactions that are subject to mandatory monitoring and transactions that are suspected of being related to ML/FT. To assist credit institutions in identifying transactions that are suspected of being carried out for AM/FT purposes, the Annex to Regulation No.375-P contains the list of indicators of unusual nature of transactions. Credit institutions are entitled to extend, at their own discretion, this list of unusual transaction indicators taking into account the nature and scope of core business activities of their customers. A decision on whether or not to qualify a customer transaction as suspicious one is made by a credit institution independently based on the available information and documents on the status and business activities of the customer who/that carries out such transaction and his/her/its representative and (or) beneficial owner (if any). Regulation No.375-P obliges credit institutions to develop the risk management program which implementation should involve risk categorization measures. Besides that, Bank of Russia proceeded with issuing guidelines and recommendations for credit institutions concerning additional monitoring of transactions that are carried out through credit institutions and may be related to ML/FT. (These include BoR Letter No.90-T dated 28.06.2012 “On Information Posted on the Official Website of the Federal Tax Service”, BoR Letter No.107-T dated 23.07.2012 “On Bringing AML/CFT System and AML/CFT Internal Controls in Line with the Requirements of Bank of Russia”, BoR Letter No.167-T dated 07.12.2012 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.176-T dated 21.12.2012 “On Information Published by the Federal Tax Service on Legal Entities that have been or are being Liquidated”, BoR Letter No.32-T dated 28.02.2013 “On Information Published by the Federal Tax Service on Legal Entities that cannot be Contacted (are not Located) at the Addresses (Locations) Indicated in the Unified Register of Legal Entities”, BoR Letter No.73-T dated 17.04.2013 “On

	Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.104-T dated 10.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.110-T dated 19.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.150-T dated 07.08.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions", BoR Letter No.193-T dated 30.09.2013 "On Mitigating the Risk of Loss of Business Reputation by Authorized Banks and their Involvement in ML/FT").
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 12 (DNFBP)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should review the AML/CFT regime as it applies to DNFBPs and ensure that all of the relevant criteria are addressed. For casinos, real estate agents and dealers in precious metals and stones, the basic recommendations set out earlier in this report in relation to Recommendations 5, 6 and 8-11 are applicable, as these entities are subject to the full effect of the AML/CFT Law in Russia.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Russia has analyzed the application of the AML/CFT regime to all designated non-financial businesses and professions (DNFBPs). Russia has established unified AML/CFT requirements for both FIs and the majority of DNFBPs – for casinos and gambling outlets, jewellery businesses, real estate agents, and pawnshops. The relevant measures taken to eliminate the deficiencies detected and implement experts' recommendations to improve the AML/CFT system in order to ensure compliance with Recommendations 5 and 11 fully apply to the aforesaid types of DNFBPs. Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to identify persons being served (customers) and beneficial owners and keep records (Informative Letter No. 2 dated 18 March 2009),

	which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring has elaborated draft law which is currently being considered by the State Duma. The draft law contains amendments to Article 7.1 of the AML/CFT Law, which fully extend the requirements of Article 7 to lawyers, notaries and auditors (in terms of developing internal control rules and procedures, identifying customers and beneficial owners, recording the necessary data, and reporting information to the competent authority).
Measures taken to implement the recommendations since the adoption of the first progress report	Russian Governmental Decree No. 967-r dated June 10, 2010 approved as set of new Recommendations on Internal Control Rules Development that instruct organizations to take into account the provisions of the AML/CFT Law and requirements by Rosfinmonitoring when drafting a program for identification of clients and beneficiaries. The Rosfinmonitoring has developed and approved in its decree No. 59 dated February 17, 2011 a set of client and beneficiary identification requirements that, inter alia, take account of the risk of execution by the client of a transaction linked to money laundering or terrorist financing. At the same time, it should be noted that Russia sets identical requirements on combating money laundering and terrorist financing for both financial institutions and DNFBPs.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs. Following adoption of Federal Law No.134-FZ, the Federal Notary Chamber has updated the internal control rules. Besides that, the Federal Notary Chamber circulated clarifications on practical application of this Federal Law to the regional notary chambers.
Recommendation of the MONEYVAL Report	*In relation to lawyers, accountants and notaries, specific provisions to address all of the relevant criteria in Recommendations 5, 6 and 8-11 should be developed. In particular, extending the CDD requirements to include their full range in the legislation. Russia should also take steps to examine ways of increasing the effectiveness of compliance with AML/CFT requirements in these sectors.*
Measures reported as of 23 September 2009 to implement the Recommendation	The aforesaid Federal draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which is being examined by the State Duma, would extent all CDD requirements to lawyers, notaries, and persons providing legal and accounting services.

of the report	Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to identify persons being served (customers) and beneficial owners and keep records (Informative Letter No. 2 dated 18 March 2009), which have been brought to the attention of the institutions concerned and published on the official Rosfinmonitoring website. The said recommendations must mandatory be incorporated by the institutions into their internal control rules, since the AML/CFT Law and the Russian Government Decision No. 983-r require that recommendations issued by the FIU should be taken into account. Rosfinmonitoring identification and record –keeping recommendations equally apply to lawyers, notaries and accountants. Besides agreements on cooperation in AML/CFT sphere between Rosfinmonitoring and Federal Lawyers and Notaries Chambers, both Chambers have published on their websites recommendations for lawyers and notaries on fulfilment of the requirements of AML/CFT legislation in order to increase the effectiveness on prevention, detection and suppression of ML and TF cases and explain the procedure of information reporting to Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the first progress report	With the goal of further strengthening the identification mechanism, the Government has passed the Federal Law No. 176-FZ dated July 23, 2010 "On Amending the Federal Law 'On Combating Money Laundering and Terrorist Financing' and the Code of Administrative Offences". The following new terms are provided in the Law: “Customer – an individual or legal entity serviced by an institution carrying out with monetary funds and other property”; “Beneficiary – a person whose benefit the customer acts for, in particular under a brokerage, agency, commission and grant agreement, when carrying out transactions with funds or other assets”; “Identification - a set of measures for obtaining information on customers, their representatives, and beneficiaries required by the AML/CFT Law, and verification of such information using original documents and (or) duly certified copies thereof”; “Data (information) recording - obtaining and consolidation of data (information) in hard copy and/or in other forms in order to implement the AML/CFT Law” The Rosfinmonitoring has developed and approved in its decree No. 59 dated February 17, 2011 a set of client and beneficiary identification requirements that, inter alia, take account of the risk of execution by the client of a transaction linked to money laundering or terrorist financing. Russia sets identical requirements on combating money laundering and terrorist financing for both financial institutions and DNFBPs
Measures taken to implement the recommendations since the adoption of the second progress	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs. As for compliance by notaries with the customer identification and CDD requirements, the Federal Notary Chamber has provided the following information.

report	The AML/CFT Law requirements related to customer identification, internal controls and information recording and retention apply to notaries only when they prepare or perform, on behalf or at the direction of their customers, transactions listed in clause 1 of Article 7.1 of the AML/CFT Law, namely: - real estate transactions; - management of funds, securities or other assets of a customer; - management of bank or securities accounts; - raising funds for establishment, operation or management of companies; - establishment, operation or management and sales/purchase of companies. The requirements set forth in Article 7 of the AML/CFT Law concerning information on individuals and legal entities that should be ascertained by notaries in course of the customer identification process are fully complied with. Moreover, provision of this information is the mandatory requirement for a notarization, whereby a notary ascertains eligibility and powers of a customer. Thus, in our opinion, the scope of information provided by notaries, where necessary, in compliance with the aforementioned law is sufficient enough for identifying customers, and notaries can verify authenticity (veracity) of this information by checking it against the original documents and (or) duly certified copies thereof. Pursuant to Federal Law No.307-03 dated December 30, 2008 “Oon Auditing”, staring from 2012, the Federal Service for Fiscal and Budgetary Supervision performs external monitoring of quality of operation of auditing organizations that conduct mandatory audits of accounting reports (financial statements) of business entities which securities are traded on stock exchanges, other credit and insurance institutions, non-government pension funds and other organizations in which the government holds at least 25% of interest, government owned corporations and government owned companies, and also conduct mandatory audits of consolidated statements/ accounts (hereinafter the external auditing quality monitoring). External auditing quality monitoring is intended for verifying and ensuring that auditing organizations comply with the Federal Law on Auditing, auditing standards, audit organization and auditor independence codes and auditor professional ethics code (hereinafter the auditing standards). RF MoF Order No.90n dated August 17, 2010 adopted Federal Auditing Standards FSAD 5/2010 “Obligations of Auditor to Scrutinize Dishonest Actions in Course of an Audit” (hereinafter FSAD 5/2010) and FSAD 6/2010 “Obligations of Auditor to Oversee Compliance by Audited Person with the Laws and Regulations in Course of an Audit” (hereinafter FSAD 6/2010) compliance with which is subject to verification (monitoring) in course of the external auditing quality monitoring. According to FSAD 5/2010, when planning and performing the auditing procedures and assessing their results as well as when drafting an audit report, an auditor is obliged to consider the risk of substantial misstatements in accounting reports (financial statements) which may result from dishonest actions, *inter alia*, related to ML/FT. Audit planning and performance should involve implementation of such auditing procedures that allow for obtaining sufficient and reliable audit evidences about

	compliance by an audited person with the AML/CFT legislation. According to FSAD6/2010, when conducting an audit of accounting reports (financial statements), an auditor should consider (take into account) compliance by the audited person with the RF laws and regulations, including Federal AML/CFT Law No.115-FZ. Upon detection of non-compliance by the audited person with the requirements set forth in AML/CFT Law No.115-FZ, an auditor should take the relevant measures provided for in this Law and also in FSAD 5/2010 and FSAD 6/2010. Failure by auditing organizations to comply with the aforementioned Federal Auditing Standards constitutes the grounds for imposition of disciplinary sanction in compliance with clause 6 of Article 20 of the Federal Law on Auditing. In 2012, the Federal Service for Fiscal and Budgetary Supervision conducted 115 external inspections of quality of operation of auditing organizations that conduct mandatory audits of accounting reports (financial statements) of business entities which securities are traded on stock exchanges, other credit and insurance institutions, non-government pension funds and other organizations in which the government holds at least 25% of interest, government-owned corporations and government-owned companies and consolidated statements/ accounts, and another 293 such inspections were performed in 2013. The aforementioned inspections revealed non-compliance by auditing organizations with the requirements of FSAD5/2010 (12 auditing organizations in 2012 and 99 auditing organizations in 2013) and FSAD6/2010 (12 auditing organizations in 2012 and 199 auditing organizations in 2013). The disciplinary sanctions were imposed on those auditing organizations that failed to comply with the auditing standards, including FSAD5/2010 and FSAD6/2010.
Recommendation of the MONEYVAL Report	*With a diverse range of supervisory bodies (Rosfinmonitoring, the Assay Chamber, the Federal Notaries Chamber and the Federal Lawyers Chamber) Russia should take steps to co-ordinate the overall approach in this area.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The AML/CFT legislation designates Rosfinmonitoring as the body responsible for coordinating of the activity of other bodies with AML/CFT powers. In practice, coordination of AML/CFT activity of supervisory bodies takes place parting the framework of the AML/CFT Interagency Commission (hereafter – the Interagency Commission) set up by Ministry of Finance Order dated 25 October 2005 No. 132n. It includes representatives of state authorities and, via the Consultative Board at the Interagency Commission, consisting of representatives of self-regulating organizations (SROs). The Interagency Commission is a permanent coordinating body set up to ensure coordinated efforts by federal executive bodies concerned and the Bank of Russia in the sphere of AML/CFT. The Interagency Commission addresses the topical issues of interaction, including information exchange, works out a coordinated position on issues of international cooperation in AML/CFT, discusses proposed improvements to the AML/CFT system, examines the relevant draft laws and other interagency acts.

	The Interagency Commission has set up special working groups to prepare proposals relating to AML/CFT issues. In particular, in 2008 – 1half 2009 the Working Group on Legal Issues, consisting of representatives from Rosfinmonitoring, BoR, FSFM, FISS, Roscomnadzor, Ministry of Finance, the Assay Chamber, and a number of SROs, elaborated a number of draft laws aimed at improvement of the AML/CFT system. Mentioned draft laws take into account Recommendations contained in the 3rd round evaluation report on the Russian Federation and then were discussed by the Interagency Commission. Recommendations on criteria and indicators of unusual transactions were developed jointly with supervisory bodies. Moreover, Rosfinmonitoring signed cooperation agreements with the relevant supervisory bodies (including with the Assay Chamber, the Federal Notaries Chamber, the Federal Lawyers Chamber). Rosfinmonitoring constantly disseminates information relating to the highest-risk institutions in terms of ML/TF for purposes of inspections, including unplanned inspections.
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law No. 176-FZ empowers all supervisory authorities to review administrative violation cases provided for in Art. 15.27 of the Administrative Code. The Rosfinmonitoring coordinates the performance by supervisory authorities of these functions through the mechanism of the Interdepartmental Committee on Combating Money Laundering and Terrorist Financing and Advisory Council operating under it (meetings with representatives of the private sector and the SROs), providing methodological explanations and actively participating in meetings between supervisory authorities and supervised institutions and their associations. Additionally, the Rosfinmonitoring regularly provides data, which is used as the grounds for organizing subsequent inspections, including unscheduled, in institutions belonging to the high-risk category in terms of ML / FT. Rosfinmonitoring's requirements related to identification of beneficiaries' clients (Order No. 59 dated Feb 17, 2011), applicable to both financial institutions and the DNFBP, are important for coordination of approaches in the area of identification and due diligence of DNFBP's clients.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
Recommendation of the MONEYVAL Report	*Russia should also examine the use of cash in the real estate sector in order to be sure that there are no important gaps in the AML/CFT system as it relates to this sector.*
Measures reported as of 23 September 2009 to implement the	In Russia, cash settlement between legal persons as well as between a legal person and a natural person conducts entrepreneurship without establishing a legal person (including real estate agents) is strictly regulated in terms of the possible transaction amount (not to exceeding RUB 100,000 under each contract between mentioned

Recommendation of the report	persons) and use of cash for a specific purpose (BoR Directive dated 20 June 2007 No. 1843-U). A limit applies to cash amount that may be stored at the cashier desk of a legal person, which is controlled by a credit institution. Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P). This procedure considerably reduces the possibility for a real estate agents to use cash payments. This is confirmed by the number of real estate transaction reports submitted by banks within the framework of mandatory control. For customers of institutions performing as real estate agents, payments via credit institutions are more reliable and minimize the risk of fraudulent schemes (payment using counterfeit money, customer's deceit).
Measures taken to implement the recommendations since the adoption of the first progress report	The number of STRs received from real estate transaction intermediaries is falling, which, as was noted before, is the result of the financial crisis. This trend is developing against the background of rising real estate transaction numbers, as evidenced by statistics on mandatory supervision. This could be due to the stabilization of the economic situation and the rebounding of public's demand for the real estate, seen as one of the most attractive investment sectors. In this case, a fall in the number of reports generated by real estate brokers as part of the internal controls is due to enhanced AML / CFT-related internal control measures applied by them in response to the strengthening of control by Rosfinmonitoring. This results in lower number of dubious transactions at the time when the property market is not active.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	For identifying transactions with funds or other assets that are related to financing of terrorism the Federal Notary Chamber regularly communicates the updated List of Individuals and Entities Known to be Linked to Extremist Activities to all notaries by posting this List in the relevant section (page) of the Consolidated Russian Notary Information System. Rosfinmonitoring Order No.103 dated 08.05.2009 adopted "The Recommendations for Developing Criteria for Detection and Identifying Indicators of Unusual Transactions that contain the list of the basic indicators of unusual transactions potentially related to ML/FT and criteria for identification of such transactions. These criteria and indicators should be taken into account by notaries with due consideration for the specificities of their activities. Besides that, the Federal Notary Chamber regularly updates the criteria of unusual transactions and provides the relevant information to Rosfinmonitoring.

Pursuant to Federal Law No.307-03 dated December 30, 2008 “On Auditing” and RF Government Resolution No.278 dated June 15, 2004 “On Adoption of Statute of the Federal Service for Fiscal and Budgetary Supervision the Federal Service for Fiscal and Budgetary Supervision” is in charge of performing external monitoring of quality of operation of auditing organizations that conduct mandatory audits of accounting reports (financial statements) of business entities which securities are traded on stock exchanges, other credit and insurance institutions, non-government pension funds and other organizations in which the government holds at least 25% of interest, government owned corporations and government owned companies and also conduct mandatory audits of consolidated statements/ accounts (hereinafter the external auditing quality monitoring).

External auditing quality monitoring is intended for verifying and ensuring that auditing organizations comply with the Federal Law on Auditing, auditing standards, audit organization and auditor independence codes and auditor professional ethics code (hereinafter the auditing standards).

RF MoF Order No.90n dated August 17, 2010 adopted Federal Auditing Standards FSAD 5/2010 “Obligations of Auditor to Scrutinize Dishonest Actions in Course of an Audit” (hereinafter FSAD 5/2010) and FSAD 6/2010 “Obligations of Auditor to Oversee Compliance by Audited Person with the Laws and Regulations in Course of an Audit” (hereinafter FSAD 6/2010) compliance with which is subject to verification (monitoring) in course of the external auditing quality monitoring.

According to FSAD 5/2010, when planning and performing the auditing procedures and assessing their results as well as when drafting an audit report, an auditor is obliged to consider the risk of substantial misstatements in accounting reports (financial statements) which may result from dishonest actions, *inter alia*, related to ML/FT.

Audit planning and performance should involve implementation of such auditing procedures that allow for obtaining sufficient and reliable audit evidences about compliance by an audited person with the AML/CFT legislation.

According to FSAD6/2010, when conducting an audit of accounting reports (financial statements), an auditor should consider (take into account) compliance by the audited person with the RF laws and regulations, including Federal AML/CFT Law No.115-FZ.

Upon detection of non-compliance by the audited person with the requirements set forth in AML/CFT Law No.115-FZ, an auditor should take the relevant measures provided for in this Law and also in FSAD 2/2010 and FSAD 6/2010.

Failure by auditing organizations to comply with the aforementioned Federal Auditing Standards constitutes the grounds for imposition of disciplinary sanction in compliance with clause 6 of Article 20 of the Federal Law “On Auditing”.

In 2012, the Federal Service for Fiscal and Budgetary Supervision conducted 114 external inspections of quality of operation of auditing organizations that conduct mandatory audits of accounting reports (financial statements) of business entities which securities are traded on stock exchanges, other credit and insurance institutions, non-government pension funds and other organizations in which the government holds at least 25% of interest, government-owned corporations and

	government-owned companies and consolidated statements/ accounts. The aforementioned inspections revealed non-compliance by twelve auditing organizations with the requirements of FSAD5/2010 and FSAD6/2010. The disciplinary sanctions were imposed on those auditing organizations that failed to comply with the auditing standards, including FSAD5/2010 and FSAD6/2010.

Recommendation 14 (Protection & no tipping-off)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should extend the safe harbour provision and the tipping off prohibition to the FIs and their directors.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Article 4 of the AML/CFT Law classifies a prohibition on tipping off customers and other persons about AML/CFT measures being taken as one of the measures aimed at AML/CFT. Under item 6 of Article 7 of the AML/CFT Law, employees of institutions reporting the relevant information to the competent authority are prohibited from tipping off customers and other persons. The Federal Bill "On Amendments to the Federal Law 'On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism' states that not only employees of the institutions disclosing the relevant information to the competent authority, but also managers of such institutions should not tip off customers of such institutions and other persons about the AML/CFT measures being taken.
Measures taken to implement the recommendations since the adoption of the first progress report	For a more precise implementation of this requirement, the Federal Law No. 176-FZ dated July 23, 2010, which amends the AML/CFT Law, stipulates that "no organization submitting the relevant information to the competent authority nor any manager or employee of organizations that submit the relevant information to the competent authority is allowed to inform the clients of these organizations or other individuals of such submissions".
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
(Other) changes since the second	

progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 15 (Internal control rules, compliance & audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The Russian authorities should ensure that all FIs establish and maintain internal procedures, policies and controls to manage both AML/CFT and prudential risks, and to ensure that these policies and procedures are comprehensively communicated to all relevant employees. Financial institutions and supervisory bodies should also ensure that training programmes incorporate case studies and other practical demonstrations of both money laundering and terrorism financing so employees are better able to detect signs of ML and FT when they occur. With respect to terrorism financing, FIs and supervisory bodies should amend internal control programme requirements to incorporate a more comprehensive approach to CFT beyond the current practice of simply checking the list of designated entities.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Item 2 of Article 7 of the AML/CFT Law stipulates that in order to prevent ML/TF the institutions carrying out transactions with monetary funds and other property must develop internal control rules and programs of their implementation, appoint special officers in charge of enforcing such internal control rules and implementing such programs, as well as take other internal organizational measures for these purposes. Internal control rules of an institution carrying out transactions with monetary funds and other property must include a procedure for documenting the necessary information, a procedure for ensuring confidentiality of information, qualification requirements for personnel training and education, as well as detection criteria and indicators of unusual transactions taking into account the specifics of this institution's activity. Internal control rules must be developed taking into account the recommendations approved by the RF Government, and for credit institutions – by the BoR with coordination with Rosfinmonitoring, and adopted in accordance with the procedure set out by the Russian Government. The new edition of recommendations for developing internal control rules, which replaces the current recommendations adopted by Russian Government Decision No. 983-r (and is being currently reconciled with the supervisory bodies), requires incorporating into the internal control rules a program which enables the institution to assess the degree (level) of risk of the transactions carrying out by the customer for the

	ML/TF purposes (hereafter the risk) (item 3.2 of the draft Decision). Depending on the specifics of its activity and the specifics of the customer's activity the institution must develop criteria for assessing the degree of risk to be in line with the requirements established by Rosfinmonitoring (3.2.1)., In order to assess the degree (level) of risk and track possible changes in the risk level, the institution must conduct constant monitoring of the customer's transactions (3.2.2). The institution must pay particular attention to transactions with monetary funds and other property, which are carried out by a high-risk customer. To inform on policy and procedures of all institution employees concerned, Rosfinmonitoring issued Order dated 1 November 2008 No. 256, establishing requirements for the training and education of personnel of institutions carrying out transactions with monetary funds and other property for the AML/CFT purposes. The said order sets out the list of positions that must pass through AML/CFT training (in particular, director of the institution (institution's branch); deputy director of the institution (branch); special official of the institution (branch) in charge of enforcing internal control rules and internal control implementation programs; chief accountant (accountant) of the institution (branch); employees of the legal department of the institution (branch); lawyer, if any; employees of the internal control service of the institution (branch), if any; other employees of the institution (branch), taking into account the specifics of the institution's activity and its customers. Training requirements obligate institutions to conduct training upon recruitment, annual scheduled training, unscheduled training in response to changes in AML/CFT legislation and associated regulations, as well as targeted training – participation in conferences, seminars. Institutions must conduct training based on a program that must include: a) studying normative legal acts in AML/CFT sphere; b) studying the institution's AML/CFT internal control rules and internal control implementation programs in the course of performance of job duties by the employee, as well as measures of liability that may be applied against an employee for non-performance of AML/CFT legislation and other organizational and administrative documents of the institution adopted for internal control purposes; d) practical classes in the implementation of internal control rules and internal control programs; d) procedure, forms and periodicity of testing AML/CFT knowledge and skills of employees; e) participation of special officials in conferences, seminars and similar events devoted to AML/CFT issues; f) review of measures to be taken pursuant to Russian AML/CFT legislation. Supervisory bodies and professional communities implement the relevant efforts in their respective sectors of the financial market. For example, the Association of Russian Banks (the largest organization of the Russian banking community) has prepared a concept for the development of standard programs and methodological recommendations for education and advanced training

	of special officers of credit institutions, which contains approaches to ensuring quality professional training and retraining of special officers of credit institutions. The concept has been supported by the BoR. The FSFM has elaborated the Federal draft law "On Amendments to the Federal Law "On the Securities Market" and other legislative acts of the Russian Federation" (in terms of prudential supervision over professional participants of the securities market and procedure of paying compensation to natural persons in the securities market), which includes issues of organizing the risk management system for a professional participants of the securities market or an asset management company.
Measures taken to implement the recommendations since the adoption of the first progress report	Governmental Decree No. 967-r dated June 10, 2010 approved the aforementioned Recommendations Concerning the Development of Internal Control Rules for AML/CFT, which regulate in detail the organization and implementation of internal controls for AML/CFT in organizations. The new recommendations also require organizations to draft a special program that provides for the application of certain procedures upon detection of transactions involving listed individuals. Additionally, Rosfinmonitoring's Decree No. 59 dated February 17, 2011 approved the client and beneficiary identification requirements based on ML / FT risk assessment. With the goal of intensifying efforts aimed at identifying suspicious, including connected with FT, customers' transactions, Rosfinmonitoring released an information notice No. 17 dated August 2, 2011 regarding the criteria for identifying high-risk clients in order to conduct enhanced monitoring of their transactions, including a set of criteria aimed at monitoring and detecting transactions carried out by individuals possibly linked to terrorist financing. In particular, among the criteria by which the client should be classified as high risk, information letter No. 17 dated August 2, 2011 prescribes to list the following: - The client and / or his contractor, client's representative, beneficiary or client's founder is a person included in the List of Entities and Individuals Believed to be Involved in Extremist Activities - Home (business) address of the client, client's representative, beneficiary or founder matches the home (business) address of a person included in the List of Entities and Individuals Believed to be Involved in Extremist Activities. - The client is a close relative of the person included in the List of Entities and Individuals Believed to be Involved in Extremist or Terrorist Activities. - Activities of public and religious organizations (associations), charities, foreign non-profit non-governmental organizations and their representative offices and branches operating in Russia. - The client is a director or founder of a public or religious organization (association), charity, foreign non-profit non-governmental organization, its branch or representative office operating in Russia. - The client and / or his contractor, client's representative, beneficiary or founder is registered in the state or territory with a high terrorist or extremist activity. The organization is required to pay particular attention to all transactions with

	monetary funds or other assets executed by high-risk clients (ongoing monitoring) in order to identify suspicious transactions that may be reported to the Rosfinmonitoring. As it was mentioned earlier, with the goal of informing the relevant organization employees of the internal policies and AML / CFT-related procedures, the Rosfinmonitoring issued the Order No. 256 dated November 1, 2008 that establishes requirements concerning the organization of AML / CFT training for employees of organizations executing transactions with monetary funds or other assets. In October 2010 a new wording of the Order No. 256 (Order No. 203 dated August 3, 2010) was adopted, which, besides the aforementioned provisions contained in the Order 256, requires organizations developing AML/CFT-related training programs for employee to include into such programs training sessions dedicated to the study of typologies, typical patterns and methods of money laundering and terrorist financing, as well as the criteria for identification and signs of unusual transactions. Pursuant to the amendments made by the Federal Law No. 176-FZ to the AML/CFT Law (subitem 5.5 Item 5 of Article 7), institutions executing transactions with monetary funds and other assets are required to pay enhanced attention to any transactions with monetary funds or other assets executed by individuals or entities referred to in subparagraph 2 of paragraph 1 of Article 6 of the AML/CFT Law, with their participation, on their behalf, or for their benefit, as well as through the use of a bank account referred to in subparagraph 2 of paragraph 1 of Article 6 of the AML/CFT Law_(subitem 2 of Item 1 of Art. 6 of the AML/CFT Law states: any transaction involving crediting or transferring of funds to an account, granting or receiving a loan, as well as transactions in securities, if at least one of the parties is an individual or legal entity registered or residing in a state (territory) which does not comply with the recommendations of the Financial Action Task Force (FATF), or if the said transaction is carried out using a bank account registered in such state (territory). The list of such states (territories) is determined in accordance with a procedure approved by the Government of the Russian Federation and with account for the documents issued by the Financial Action Task Force (FATF), and to be published).
Measures taken to implement the recommendations since the adoption of the second progress report	According to RF Government Resolution No.667 dated 30.06.2012 the internal control rules should necessarily include the program of assessment of risk of customer involvement in ML/FT related transactions. This program should establish the procedure of assessing and assigning the level (degree) of risk to a customer in compliance with the customer identification requirements. The level (degree) of risk should be assessed and assigned: a) when establishing business relationship with a customer; b) when executing customer's transactions; c) in other situations as may be determined by an institution and specified in its internal control rules. As required by the FATF Recommendations, the risk assessment program involves assessment of customer risk with consideration for the indicators of transactions and types of business activities that pose enhanced risk of customer involvement in ML/FT related transactions. As stipulated in Regulation No.375-P, the AML/CFT internal control rules are the

	integrated document or set of documents developed by a credit institution that regulates its AML/CFT policies and describes a combination of measures and procedures implemented by it in compliance with the AML/CFT internal control programs. The AML/CFT internal control rules include the following programs: - the AML/CFT system establishment program; - the customer, customer's representative, beneficiary and beneficial owner identification program; - the ML/FT risk management program; - the program of identification of customer transactions that are subject to mandatory monitoring and customer transactions that are suspected of being related to ML or FT; - the program that specifies situations where a credit institution should refuse to enter into a bank account (deposit) agreement with an individual or legal entity, refuse to execute transaction instructions given by a customer and terminate a bank account (deposit) agreement with a customer in compliance with the Federal Law, and establishes such refusal and termination procedures; - the program that establishes procedure of coordination and interaction by a credit institution with persons entrusted to conduct (customer) identification (in situations where a credit institution assigns the identification responsibilities to third parties under the Federal Law); - the program that establishes procedure of freezing of customer's funds or other assets and procedure of identifying the existing corporate and individual customers whose funds or other assets have been or should be frozen; - the program that established procedure of suspension of transactions with funds or other assets; - the personnel AML/CFT training and education program. The AML/CFT internal control rules may also include other programs developed by a credit institution as it may determine appropriate. Besides that, Regulation No.375-P establishes the following main categories of risk: - customer and (or) beneficial owner risk (risk posed by certain types of customers); - country risk; - transaction risk (risk of involvement of a customer in certain types of transactions). In addition to that, Regulation No.375-P specifies the factors that affect assessment of the aforementioned categories of customer risk. Credit institutions are obliged to take measures for categorizing their customers with consideration for the criteria against which the level (degree) of risk of involvement of their customers in ML/FT transactions is assessed. Besides that, credit institutions are also obliged to determine risk of misuse of their services and possible involvement of their personnel in ML/FT. The program of AML/CFT education and training of personnel of a credit institution is developed with due consideration for the requirements set forth in BoR Directive

	No.1485-U dated 09.08.2004 “On Requirements for Education and Training of Credit Institutions’ Staff. The purpose of AML/CFT training of personnel of a credit institution is to provide knowledge about AML/CFT issues required by them for complying with the RF AML/CFT laws and regulations and the internal AML/CFT documents of a credit institution. A credit institution should determine its structural departments (units) which personnel should undergo AML/CFT training. These departments (units) include: AML/CFT department, departments directly involved in provision of banking and other commercial services, legal department, security department, internal control department. Frequency of personnel training is determined by a credit institution independently and is subject to compliance with the following requirements: - training of the designated officer in charge of compliance with the internal control rules and internal controls implementation programs (hereinafter compliance office) should be conducted as least twice a year; - training of the AML/CFT department staff and personnel of other departments (units) should be conducted at least once a year. Federal Law No.134-FZ obliges institutions engaged in transactions with funds or other assets to freeze (restrain) funds or other assets without delay, but not later than one business day following publication (on the official website of the designated AML/CFT authority) of information on inclusion of a legal entity or individual in the list of persons known to be linked to extremist activity or terrorism, or not later than one business day following publication (on the designated AML/CFT authority official website) of decision to freeze (restrain) funds or other assets of a legal entity or individual reasonably suspected of being linked to terrorist activity (including terrorist financing), if there are no sufficient grounds for including them into the aforementioned list. Institutions engaged in transactions with funds or other assets should immediately inform the designated AML/CFT authority on the undertaken measures in a manner established by the RF Government, while credit institutions should report such information in a manner prescribed by the RF Central Bank. In addition to that, institutions engaged in transactions with funds or other assets are obliged to check and identify, at least once in every three months, their corporate and individual customers who have been or should be subject to freezing measures and report the results of such check to the designated AML/CFT authority in a manner established by the RF Government, while credit institutions should do the same and report in a manner prescribed by the RF Central Bank. The procedure of reporting by credit institutions to the designated AML/CT authority in the situations described above is established by BoR Directive No.3063-U dated 19.09.2013 “On Procedure of Reporting by Credit Institutions to the Designated AML/CFT Authority on Freezing of Funds or other Assets of Legal Entities and Individuals and on Results of Checking and Identifying Corporate and Individual Customers who have been or should be Subject to Freezing Measures”. Besides that, Bank of Russia continues to issue guidelines and recommendations for

	credit institutions concerning identification of transactions potentially related to ML/FT and reporting such transactions to the designated AML/CFT authority. (These include BoR Letter No.90-T dated 28.06.2012 “On Information Posted on the Official Website of the Federal Tax Service”, BoR Letter No.107-T dated 23.07.2012 “On Bringing AML/CFT System and AML/CFT Internal Controls in Line with the Requirements of Bank of Russia”, BoR Letter No.167-T dated 07.12.2012 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.176-T dated 21.12.2012 “On Information Published by the Federal Tax Service on Legal Entities that have been or are being Liquidated”, BoR Letter No.32-T dated 28.02.2013 “On Information Published by the Federal Tax Service on Legal Entities that cannot be Contacted (are not Located) at the Addresses (Locations) Indicated in the Unified Register of Legal Entities”, BoR Letter No.73-T dated 17.04.2013 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.104-T dated 10.06.2013 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.110-T dated 19.06.2013 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.150-T dated 07.08.2013 “On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions”, BoR Letter No.193-T dated 30.09.2013 “On Mitigating the Risk of Loss of Business Reputation by Authorized Banks and their Involvement in ML/FT”).
	Following audits of the federal postal service operators, Roscomnadzor analyzed the indicators of the identified unusual transactions (deals). Based on the results of that analysis Roscomnadzor sent Letter No.07PA-2064 dated 01.02.2013 to Rosfinmonitoring. In this Letter Roscomnadzor proposed to adjust and extend the list of potential ML/FT indicators related to misuse of postal services and amend Rosfinmonitoring’s Order No.103 accordingly.
	In compliance with Roscomnadzor Professional Development Training Schedule training workshops on “Government Supervision of Postal Services and AML/CFT Supervision: Requirements, Methodology, Improvement of Effectiveness, Results and Supervision and Monitoring Efficiency Enhancement Objectives” were held for inspectors of Roscomnadzor local offices in 2012. Specialists of Rosfinmonitoring and the International Training and Methodology Center for Financial Monitoring (ITMCFM) regularly take part in the training events in the capacity of instructors/trainers. Training and professional development training was received by 240 employees of Roscomnadzor local offices. According to the 2013 Training Schedule approved by the head of Roscomnadzor it is planned to hold similar training events in July-August and in November 2013.
	In October 2012, additional training on certain AML/CFT arrangement issues was provided to compliance officers of the branches of Post of Russia in course of the annual workshop attended by the representatives of Roscomnadzor and Rosfinmonitoring.
	In course of all types of training events held in compliance with the AML/CFT legislation in 2012, a total of 98 026 persons received training, including 46 723 postal service operators, 32 404 post office directors, 8 186 post office deputy directors, 8081 post office employees, 1484 employees of branches of Post of Russia and 1 148 designated (compliance) officers and employees of branches and post offices. Training

	was delivered, *inter alia*, with the use of videoconferencing facilities. All aforementioned persons passed the special training quality test and received the relevant certificates. Pursuant to the Regulation on Requirements for AML/CFT Education and Training of Personnel of Institutions Engaged in Transactions with Funds or other Assets adopted by Rosfinmonitoring's Order No.203 dated August 3, 2010 the executive officers of the RF Assay Chamber conduct targeted financial monitoring briefing of the staff members of the Russian Assay Chamber.
Recommendation of the MONEYVAL Report	*The Russian authorities should enhance existing provisions regarding employee screening procedures to ensure that all employees of FIs can be sufficiently screened. Screening procedures should take criminal records into account, but should also assess the vulnerability to corruption of each employee or group of employees.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Professional skills of FI employees are tested by establishing qualification requirements for special officers responsible for internal control rules observance (Government Order dated 5 December 2005 No. 715), which include a higher education in the relevant specialty or a minimum of 2 years of work experience in AML/CFT as well as completion of AML/CFT training. Rosfinmonitoring Order No. 256 establishes mandatory requirements to undergo systematic AML/CFT training for other FI employees. Pursuant to BoR Letter dated 30 June 2005 No. 92-T "On the organization of legal risk and reputation risk management at credit institutions and banking groups", banks are recommended to focus appropriate attention on implementing the Know-Your-Employee principle, which puts in place specific verification standards upon employee recruitment as well as control over the selection and allocation of personnel, specific criteria for qualification and personal characteristics of employees consistent with their workload and degree of responsibility. The BoR takes into account the status of the banking risk management system, including reputation and legal risks, when evaluating the credit institution's economic status pursuant to the BoR Directive dated 30 April 2008 No. 2005-U «On assessment of economic status of banks» (items 1.1 and 4.1 of Appendix No. 6).
Measures taken to implement the recommendations since the adoption of the first progress report	Russian Federal Financial Markets Service Order No. 10-4/pz-n dated January 28, 2010 approved Regulations on Financial Market Specialists (hereinafter the "Regulations"), which, inter alia, establish qualification requirements for employees of institutions operating in the financial market, as well as the grounds and procedure for the cancellation of certificates of competence. Availability of a certificate of competence is a prerequisite for working in institutions operating in the financial market. Any individual holding a management or supervisory position in such institutions, or a position of a specialist responsible for executing transactions in securities, authorizing their execution or signing outbound documents related to the execution of such transactions is required to possess a certificate of competence. The certification procedure for a financial market specialist involves the testing of applicants' knowledge in respect of professional securities market activities, operations

	of management companies and specialized depositories, and issuance to them of certificates of competence of a financial market specialist. The certification is carried out by organizations certified by the Federal Financial Markets Service of Russia. Applicants wishing to be issued with a certificate are required to pass two exams in any one of the certified organizations: first on fundamentals and then on specialty. All exams are conducted subject to the programs approved by the Federal Financial Markets Service of Russia, and in the manner to be determined by each certified organization based on the recommendations issued by the FFMS of Russia. The Federal Financial Markets Service of Russia may invalidate any certificate of financial market specialists issued by the Russian Federal Securities Commission, Federal Financial Markets Service of Russia or any organization certified by the Federal Financial Markets Service of Russia to a certified person in case of repeated or gross violations by such certified person of the laws of the Russian Federation on securities, on investment funds or on state pension funds.
Measures taken to implement the recommendations since the adoption of the second progress report	Screening (fit and proper test) of AML/CFT compliance officers and personnel of AML/CFT departments is conducted in compliance with BoR Directive No.1486-U dated 09.08.2004 "On Qualification Requirements for Executive Officers in Charge of Compliance with the AML/CFT Internal Control Rules and Implementing Internal Controls Programs in Credit Institutions" (hereinafter - Directive No.1486-U). Indicated in Directive No.1486-U are the Articles of the RF Criminal Code, conviction under which constitutes the grounds for concluding that an AML/CFT compliance officer and AML/CFT department personnel do not meet the qualification requirements.
Recommendation of the MONEYVAL Report	*Roscomnadzor and Post of Russia should take proactive and comprehensive steps to ensure that all employees at all branches of Post of Russia across the country have a good understanding of the Post's internal control programmes with respect to AML/CFT requirements of the ICP, and that compliance units are sufficiently trained and fully implementing all legal and regulatory requirements related to AML/CFT. The Russian authorities should work closely with Post of Russia to ensure that the independent audit programme is being carried out effectively and comprehensively at all branches to verify compliance with internal control requirements across the country.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	To improve AML/CFT work, Post of Russia has reorganized its internal control system. Responsibility for organizing and implementing internal control procedures for purposes of AML/CFT at Post of Russia is assigned to the Federal Postal Service Directorate. The Directorate's functions include monitoring postal money transfers, reporting transactions subject to mandatory control to Rosfinmonitoring, conducting internal audits of subordinated divisions – postal offices. Post of Russia has 82 Federal Postal Service Directorates in all constituent entities of the Russian Federation. All FPSDs were inspected by Roscomnadzor in the framework of the general supervision and Post of Russia in the course of internal audit procedures during 2007-2008. Based on the audit findings, the management of divisions received letters about detected violations and correctional measures needed. All 918 head postal offices have Internal Control Rules on postal money transfers

	adopted by Post of Russia Order dated 19 September 2007 No. 459-p and coordinated with Rossvyazokhrankultura (resolution dated 18 September 2007 No. 33/4458). These Rules are the main document regulating the actions of personnel and officers carrying out AML/CFT control. To ensure full compliance with Russian AML/CFT legislation, a new wording of Post of Russia Internal Control Rules is being currently reviewed and coordinated with Roscomnadzor. All postal offices have guidelines which contain requirements to identify natural persons while carrying out transfers equal to or exceeding the threshold amount set by the AML/CFT Law. In order to unify forms and pursuant to the Internal Control Rules on customer identification requirements, Post of Russia issued Order No. 81-p dated 13 March 2007 approving new postal money transfer forms with the field where the transfer originator must fill in with his or her passport details. They are used in the postal office network upon accepting (paying out) money transfers at all postal services and make it possible to identify the transfer originator as well as record originator details upon suspicious transactions. The replacement from old postal money transfer forms to new ones was completed by April 2008. All postal offices are supplied with regularly updated Terrorist List compiled by Rosfinmonitoring. Notably, at computerized postal offices (55% of all POs) with data protection means this List is available in electronic form. Workplaces of employees of all 82 FPSDs – branches of Post of Russia, who are responsible for organizing AML/CFT control under the Internal Control Rules, are automated; they have special software with data protection means, which is used to report to Rosfinmonitoring any money transfers subject to mandatory control or suspicious transfers. During annual seminars for Post of Russia branches, officers of branches undergo additional training in AML/CFT and internal control rules, provided by Rosfinmonitoring and Roscomnadzor representatives as part of training events. Employees engaged in implementing the Internal Control Rules undergo annual training on AML/CFT issues. A total of 128 training events took place in 2008. During this period training was provided for: postal service operators - 10 515; postal office directors - 7 567; postal office deputy directors - 2 568; head postal office workers - 422; branch administration employees - 532; TOTAL: - 21 604. In the first half of 2009 the central headquarters of Post of Russia set up a 6-person financial monitoring sector at the Department for Organization of Regional Work and

	Cooperation with Law Enforcement of the Postal Security Directorate. The unit is presently fully stuffed. At the same time, it is necessary to take into account the fact that the aforesaid training requirements set out in Rosfinmonitoring Order No. 256 also apply to organizations of federal postal service.
Measures taken to implement the recommendations since the adoption of the first progress report	As noted earlier, with the goal of informing the relevant organization employees of the internal policies and AML / CFT-related procedures, the Rosfinmonitoring issued Order No. 256 dated November 1, 2008 that establishes the requirement concerning the organization of AML / CFT training for employees of institutions executing transactions with monetary funds or other assets In October 2010 a new wording of the Order No. 256 (Order No. 203 dated August 3, 2010) was adopted, which is aimed at improving the level of employee training in the area of AML / CFT. With the goal of improving its work in the area of AML / CFT, the Federal State Unitary Enterprise "Russian Post" has restructured its system of internal controls, introducing new Internal Control Rules that take into account the changes to the legislation and Rosfinmonitoring's regulations. The responsibility for organizing and implementing internal controls for AML / CFT in the FSUE Russian Post has been assigned to the Federal Postal Service Directorate, whose functions include monitoring of postal money orders, submission of information on transactions subject to supervision to the Rosfinmonitoring, internal auditing of subordinate departments (post offices). Also, pursuant to the Order No. 461-p, designated officials responsible for monitoring compliance with internal control rules and programs to implement them have been appointed in its branches and post offices. All post offices are provided with the regularly updated List of Organizations and Individuals Believed to be Involved in Extremist Activities. Currently, in line with Roskomnadzor's recommendations, FSUE Russian Post is in the process of revising the Rules of Internal Control (the Rules) to reflect the amendments introduced by the Federal Law No. 176-FZ of July 23, 2010 "On Amending the Federal Law 'On Combating Money Laundering and Terrorist Financing' and the Russian Federation Code of Administrative Violations", and Federal Laws No. 161-FZ of June 26, 2011 "On National Payment System" and No. 162-FZ of June 26, 2011 "On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On National Payment System' and Recommendations for the Development by Institutions Executing Transactions with Monetary Funds or other Assets of the Rules of Internal Control for Combating Money Laundering and Terrorist Financing" approved by Russian Federal Government Decree No. 967-r of June 10, 2010. STR statistics show a rise in the effectiveness of the implemented by Russian Post internal control programs to identify unusual transactions: there was a 50% increase in the number of STRs in 2010 compared with 2007. A total of 2,596 training programs were conducted in 2010. Additionally, pursuant to the "Regulations on the Requirements Concerning the Provision of Training to Employees of Institutions Executing Transactions with Monetary Funds or other Assets to Combat Money Laundering and Terrorist Financing" approved by

	Rosfinmonitoring Order No. 203, special targeted training sessions, conducted by organizations authorized by the Rosfinmonitoring, are organized for designated officials and other employees of FSUE Russian Post requiring AML / CFT-related training. 1800 people attended the said training sessions in 2010 organized by Rosfinmonitoring-certified organizations.
Measures taken to implement the recommendations since the adoption of the second progress report	RF Government Resolution No.667 dated 30.06.2012 and Post of Russia Order No.215-p dated 14.08.2012 adopted the revised Internal Control Rules of Post of Russia which were modified with due consideration for the amendments to the RF AML/CFT legislation. The revised Internal Control Rules are effective since 16.08.2012. Informative letters and relevant guidelines and recommendations were disseminated to the branches and post offices of Post of Russia for clarifying amendments and modifications to the legislation and the Internal Control Rules and their practical application by postal workers in course of routine (every day) monitoring of transactions with funds or other assets. A total of nineteen letters of instruction covering various AML/CFT issues and aspects were circulated to the branches in 2012. As a result of mandatory and internal monitoring of transactions with funds or other assets the branches of Post of Russia submitted 29 332 reports on transactions that are subject to monitoring to Rosfinmonitoring (23 462 such reports were filed in 2011). Following the inspection (audit) of compliance by Post of Russia and its branches with the established procedure of recording, retaining and reporting information on transactions with funds that are subject to monitoring in compliance with the RF legislation and implementation of internal controls conducted by Roscomnadzor in May-June 2012, the relevant instructions and recommendations concerning corrective measures needed for enhancing internal controls effectiveness were disseminated to the post offices and branches of Post of Russia. In October 2012, additional training on certain AML/CFT arrangement issues was provided to compliance officers of the branches of Post of Russia in course of the annual workshop attended by the representatives of Roscomnadzor and Rosfinmonitoring. In course of all types of training events held in compliance with the AML/CFT legislation in 2012, a total of 98 026 persons received training, including 46 723 postal service operators, 32 404 post office directors, 8 186 post office deputy directors, 8081 post office employees, 1484 employees of branches of Post of Russia and 1 148 designated (compliance) officers and employees of branches and post offices. Training was delivered, *inter alia*, with the use of videoconferencing facilities. (In 2011, training was received by 68 407 persons, including 34 066 postal service operators, 24 743 post office directors, 5 201 post office deputy directors, 3 558 post office employees and 839 employees of branches of Post of Russia). In 2012, the post offices and branches of Post of Russia proceeded with the efforts aimed at identification of cashing schemes involving misuse of the postal remittance services in course of implementing internal controls. The said efforts were undertaken in coordination with the RF Federal Security Service and Ministry of Internal Affairs and resulted in suppression of illegal activities of over 30 business entities that carried out illicit cashing transactions through post offices

	located in Moscow and Moscow Region. Order No.215-p issued by Post of Russia on 14.08.2012 adopted new Internal Control Rules. These new Rules were developed in pursuance of RF Government Resolution No.667 dated 30.06.2012 on Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or other Assets and came into effect on 16.08.2012.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	For improving efficiency and enhancing responsibility for arrangement and implementation of internal control rules in its branches Post of Russia issued Order No.101 dated 08.04.2014 that adopted new Internal Control Rules that were revised with consideration for amendments to the Russian laws and regulations. The new Internal Control Rules came into effect in 2013. According the new Internal Control Rules the deputy directors (for economy) of Post of Russia branches are now in charge of arranging and implementing AML/CFT internal controls instead of the heads of the security departments. The Federal Financial Monitoring Service endorses the training programs for employees of financial institutions and DNFBPS. The system of institutions which implement special targeted training sessions was forms in Russia. This system allows educating and training more then 13 000 employees per year. 70000 persons were trained during five years. 5102 representatives of the private sector attended special targeted training sessions organized by 44 ITMCFM partners in 2009. 14616 representatives of the private sector attended special targeted training sessions organized by 43 ITMCFM partners in 2010. 14024 representatives of the private sector attended special targeted training sessions organized by 63 ITMCFM partners in 2011. 14099 representatives of the private sector attended special targeted training sessions organized by 71 ITMCFM partners in 2012. 19910 representatives of the private sector attended special targeted training sessions organized by 77 ITMCFM partners in 2013.

Recommendation 16 (Suspicious transaction reporting)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The authorities should continue working with lawyers, notaries and accountants to ensure full compliance with the requirements relating to internal control rules.*

Measures reported as of 23 September 2009 to implement the Recommendation of the report	The Draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism", which proposes amendments to Article 7.1 of the AML/CFT Law was drafted and submitted to the State Duma in order to ensure lawyers, notaries and auditors to comply with the requirements relating to internal control rules. The draft law fully extends the requirements of Article 7 to lawyers, notaries and auditors (in terms of developing internal control rules and procedures, identifying customers and beneficial owners, recording the requisite details, and reporting information to the competent authority).
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to Item 2 of Article 7.1 of the AML/CFT Law if a lawyer or notary public has any reason to suspect that any of the transactions that are being executed is linked to money laundering or terrorist financing, he must notify the competent authority. Thus, lawyers and notaries constitute special subjects of legal relations related to combating money laundering and terrorist financing who are subject to the above provisions of the Law.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs. The auditor self-regulatory organizations continue to audit compliance by auditing organizations with the requirements of the AML/CT Law: 400 audits were conducted in 2009; 1226 in 2010; 1 453 in 2011; 831 in 2012; and 937 in 2013. Pursuant to Federal Law "On Auditing", staring from 2012, the Federal Service for Fiscal and Budgetary Supervision performs external monitoring of quality of operation of auditing organizations (external auditing quality monitoring). External auditing quality monitoring is intended for verifying and ensuring that auditing organizations comply with the Federal Law on Auditing, auditing standards, audit organization and auditor independence codes and auditor professional ethics code (hereinafter the auditing standards). RF MoF Order No.90n dated August 17, 2010 adopted Federal Auditing Standards FSAD 5/2010 and FSAD 6/2010 compliance with which is subject to verification (monitoring) in course of the external auditing quality monitoring. According to FSAD 5/2010, when planning and performing the auditing procedures and assessing their results as well as when drafting an audit report, an auditor is obliged to consider the risk of substantial misstatements in accounting reports (financial statements) which may result from dishonest actions, *inter alia*, related to ML/FT. Audit planning and performance should involve implementation of such auditing procedures that allow for obtaining sufficient and reliable audit evidences about compliance by an audited person with the AML/CFT legislation. According to FSAD6/2010, when conducting an audit of accounting reports (financial statements), an auditor should consider (take into account) compliance by the audited person with the RF laws and regulations, including the AML/CFT Law. Upon detection of non-compliance by the audited person with the requirements set

	forth in the AML/CFT Law, an auditor should take the relevant measures provided for in this Law and also in FSAD 5/2010 and FSAD 6/2010. Failure by auditing organizations to comply with the aforementioned Federal Auditing Standards constitutes the grounds for imposition of disciplinary sanction in compliance with clause 6 of Article 20 of the Federal Law "On Auditing". The Federal Service for Fiscal and Budgetary Supervision (Rosfinnadzor) conducted 115 external inspections of quality of operation of auditing organizations in 2012 and 293 such inspections in 2013. The aforementioned inspections revealed non-compliance by auditing organizations with the requirements of FSAD5/2010 (12 auditing organizations in 2012 and 99 auditing organizations in 2013) and FSAD6/2010 (12 auditing organizations in 2012 and 199 auditing organizations in 2013). The disciplinary sanctions were imposed on those auditing organizations that failed to comply with the auditing standards, including FSAD5/2010 and FSAD6/2010. For further strengthening the AML/CFT supervision regime applicable to auditing organizations and individual auditors Order No.615 issued by the Federal Statistics Service on November 23, 2012 adopted the standard federal statistical survey form (template) No.3-Audit "Information on Activities of Auditor Self-Regulatory Organizations", which includes, among other things, the AML/CFT performance indicators.
Recommendation of the MONEYVAL Report	*Russia should take further steps to ensure that covered institutions are aware of the need to pay special attention to customers from countries that do not sufficiently apply the FATF Recommendations.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" and the RF Code of Administrative Offences" proposes amendments to subparagraph 2 of item 1 of Article 6 of the AML/CFT Law, which specifies the requirements for mandatory control of transactions with monetary funds and other property if they essentially constitute a crediting or transfer of monetary funds to an account, provision or receipt of credit (loan), or transactions in securities, where at least one of the parties is a natural or legal person registered, residing or located in a country (on a territory) that does not apply or insufficiently applies FATF recommendations, or where the said transactions are carried out via an account with a bank registered in the said country (on the said territory). The list of such countries (territories) is determined in accordance with the procedure set out by the Russian Government, taking into account FATF statements. The said list is subject to publication. The official Rosfinmonitoring website publishes FATF statements urging to pay particular attention to transactions with persons from the said countries and territories to be used by institutions while implementing internal control procedures. The same practice applies to statements issued by FSRBs.
Measures taken to implement the recommendations	The Federal Law No. 176-FZ of July 23, 2010, which amends the AML/CFT Law, provides for amendments to subitem 2 item 1 of Article 6, specifying the monetary transactions subject to mandatory control, i.e., any transaction involving crediting or

since the adoption of the first progress report	transferring of funds to an account, granting or receiving a loan, as well as transactions in securities, if at lease one of the parties is an individual or legal entity registered or residing in a state (territory) which does not comply, or insufficiently complies, with the recommendations of the Financial Action Task Force (FATF), or if the said transaction is carried out using a bank account registered in such state (territory). The list of such states (territories) is determined in accordance with a procedure approved by the Government of the Russian Federation and with account for the documents issued by the Financial Action Task Force (FATF), and to be published). Additionally, pursuant to subitem 5.5 Item of Article 7, institutions executing transactions with monetary funds and other assets are required to pay particular attention to any transactions with monetary funds or other assets executed by individuals or entities referred to in subparagraph 2 of paragraph 1 of Article 6 of this Federal Law, with their participation, on their behalf, or for their benefit, as well as through the use of a bank account referred to in subpitem 2 of item 1 of Article 6 of this Federal Law. As a result of the introduced amendments, Russian Government Resolution No. 173 of March 26, 2003 (as amended December 31, 2010) "On the Procedure for Determining and Publishing the List of States (territories) which do not Comply with Financial Action Task Force (FATF) Recommendations has also been amended. In pursuance of the said Russian Government Resolution, the Rosfinmonitoring has issued a relevant order, which, if necessary, is updated after each FATF Plenary Meeting of FATF and published. For further development of the said requirement, Rosfinmonitoring's letter No. 17 dated August 2, 2011 stipulates that if the client and / or his contractor, client's representative, beneficiary or founder is registered or residing in a state (territory) which does not comply with Financial Action Task Force (FATF) recommendation, or if the said transaction is carried out using a bank account registered in such state (territory), such client should be assigned to the high-risk category in terms of ML / FT. Accordingly, such client and his transactions should be subject to enhanced customer due diligence.
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken with respect to financial institutions. Russia has established the common AML/CFT requirements that equally apply to both financial institutions and DNFBPs.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other	The FATF statements that call for paying special (enhanced) attention transactions and deals with persons from countries and territories that do not or insufficiently apply the FATF Recommendations, are posted on the BoR's official website.

relevant initiatives	

Recommendation 17 (Sanctions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should amend article 15.27 Code of Administrative Offences to ensure that the main violations of the AML/CFT Law are covered, especially regarding non compliance with the requirement to identify the customer and the beneficial owner and to elevate the maximum amount for fines against officials of financial institutions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Jointly with the ministries and agencies concerned, Rosfinmonitoring elaborated the Federal draft law "On Amendments to Individual Legislative Enactments of the Russian Federation in the Sphere of Anti Money Laundering and Combating the Financing of Terrorism", which is currently being considered by the State Duma. The draft law will introduce administrative liability for non-compliance with the AML/CFT legislation by the institution carrying out transactions with monetary funds or other property, which would result in a warning or administrative fine for officials amounting to from twenty to fifty thousand rubles or disqualification for a period of up to one year; for legal persons - fifty to five hundred thousand rubles and administrative suspension of operations for up to 90 days. Therefore, this elevates the administrative liability of officials who face disqualification in addition to higher fines. At the same time, the said draft law would supplement Article 15.27 of the Code of Administrative Offences with new Part 3, which establishes administrative liability for non-compliance with AML/CFT legislation by institutions carrying out transactions with monetary funds and other property, lawyers, notaries and persons providing commercial legal or accounting services, if such non-compliance has resulted in money laundering or terrorist financing. These changes make it possible to cover all possible types of the AML/CFT Law violations, both in terms of organization and in terms of implementing AML/CFT internal control rules, including fulfilment of internal control programs and procedures, customer and beneficial owner identification requirements, documentation and reporting of information to the FIU, record-keeping and staff training and education.
Measures taken to implement the recommendations since the adoption	The Federal Law 176-FZ of June 23, 2010 amended article 15.27 of the Administrative Code, under which all supervisory bodies have been given the authority to impose administrative fines for AML / CFT-related violations. The maximum fine has been significantly increased: up to 1 million rubles for

of the first progress report	organizations and up to 50,000 rubles for officials. Additionally, AML / CFT-related violations may result in disqualification of officials for up to three years, and in administrative suspension of activity for up to ninety days for legal entities. Article 15.27 of the Code on Administrative Offences as amended by Federal Law No.176-FZ now reads as follows: "Article 15.27. "Failure to Fulfill the AML/CFT Legislation Requirements" 1. Violation of the terms for filing application for registration with the authorized agency and (or) violation of the terms for filing internal control rules with the authorized (supervisory) agency for approval - should entail warning or imposition of administrative fine on executive officers in amount of from ten thousand to fifteen thousand rubles; on legal entities in amount of from twenty thousand to fifty thousand rubles. 2. Failure to fulfill the legislation in terms of arranging for and (or) implementing internal control, except for the cases specified in Part 3 of this Article - should entail warning or imposition of administrative fine on executive officers in amount of from ten thousand to twenty thousand rubles; on legal entities in amount of from fifty thousand to one hundred thousand rubles. 3. Actions (inactions) specified in Part 2 of this Article which have resulted in failure to file, within the established time period, with the authorized agency information on transactions subject to mandatory control or information on transactions that raise suspicions of being conducted for the ML/FT purposes - should entail imposition of administrative fine on executive officers in amount of from twenty thousand to fifty thousand rubles or disqualification for a period of up to 1 year; on legal entities in amount of from one hundred thousand to three hundred thousand rubles or administrative suspension of activity for a period of up to sixty days. 4. Failure to file information of transactions subject to mandatory control with the authorized agency - should entail imposition of administrative fine on executive officers in amount from forty thousand to fifty thousand rubles or disqualification for a period of up to one year; on legal entities in amount from two hundred thousand to four hundred thousand rubles or administrative suspension of activity for a period of up to sixty days. 5. Non-compliance by an institution carrying out transactions with monetary funds or other property with the AML/CFT legislation which has resulted in laundering of criminal proceeds or financing of terrorism ascertained by valid court decision, unless such actions (inactions) are qualified as criminal offence - should entail imposition of administrative fine on executive officers in amount from thirty thousand to fifty thousand rubles or disqualification for a period of from one to three years; on legal entities in amount from five hundred thousand to one million thousand rubles or administrative suspension of activity for a period of up to ninety days. Thus the Federal Law No. 176-FZ empowers all supervisory authorities to consider administrative violation cases provided for in Art. 15.27 of the Administrative Code.

Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ amended Article 15.27 of the RF Code of Administrative Offences which now reads as follows: Article 15.27. Non-Compliance with the Requirements of the AML/CFT Legislation 1. Non-compliance with the legislation as it pertains to establishment and (or) implementation of internal controls that has not resulted in failure to submit report on transactions that are subject to mandatory monitoring or that are suspected by personnel of an institution (engaged in transactions with funds or other assets) of being related to ML or FT, and/or that has resulted in delayed submission of such report to the designated AML/CFT authority, except for the situations specified in clauses 2-4 of this Article: is punishable by warning or imposition of administrative fine on executive officers in amount of ten thousand up to thirty thousand rubles and on legal entities in amount of fifty thousand up to one hundred thousand rubles. 2. Actions (inactions) specified in clause 1 of this Article that have resulted in failure to submit report on transactions that are subject to mandatory monitoring and (or) that have resulted in submission of inaccurate report on transactions that are subject to mandatory monitoring to the designated AML/CFT authority, and/or that resulted in failure to submit report on transactions that are suspected by personnel of an institution (engaged in transactions with funds or other assets) of being related to ML or FT: are punishable by imposition of administrative fine on executive officers in amount of thirty thousand up to fifty thousand rubles and on legal entities in amount of two hundred thousand up to four hundred thousand rubles, or by administrative suspension of activities (operations) for up to sixty days. 2.1. Non-compliance with the legislation as it pertains to freezing (restraining) funds or other assets or suspension of transactions with funds or other assets: is punishable by imposition of administrative fine on executive officers in amount of thirty thousand up to forty thousand rubles and on legal entities in amount of three hundred thousand up to five hundred thousand rubles, or by administrative suspension of activities (operations) for up to sixty days. 2.2. Failure to inform the designated AML/CFT authority on refusal to enter into (perform) bank account (deposit) agreement with customers or carry out a transactions on the grounds specified in AML/CFT Law No.115-FZ dated August 7, 2001: is punishable by imposition of administrative fine on executive officers in amount of thirty thousand up to forty thousand rubles and on legal entities in amount of three hundred thousand up to five hundred thousand rubles, or by administrative suspension of activities (operations) for up to sixty days. 2.3. Failure to provide information requested by the designated AML/CFT authority on customer transactions and customer beneficial owners or information on account (deposit) activity that is available to an institution engaged in transactions with funds or other assets: is punishable by imposition of administrative fine on legal entities in amount of three hundred thousand up to five hundred thousand rubles. 3. Obstruction by an institution engaged in transactions with funds or other assets of

	inspections (audits) conducted by the designated or relevant supervisory authority or failure to comply with the instructions (orders) issued by such authority for the AML/CFT purposes: is punishable by imposition of administrative fine on executive officers in amount of thirty thousand up to fifty thousand rubles or disqualification for one up to two years; and by imposition of administrative fine on legal entities in amount of seven hundred thousand up to one million rubles or by administrative suspension of activities (operations) for up to ninety days. 4. Failure by an institution engaged in transactions with funds or other assets or by its executive officer to comply with the AML/CFT legislation that has resulted in ML or FT established by the valid court conviction, unless such actions (inactions) constitute a criminal offence: is punishable by imposition of administrative fine on executive officers in amount of thirty thousand up to fifty thousand rubles or disqualification for one up to three years; and by imposition of administrative fine on legal entities in amount of five hundred thousand up to one million rubles or by administrative suspension of activities (operations) for up to ninety days. Notes: 1. Unincorporated business entities (individual entrepreneurs) who commit administrative offences specified in this Article are subject to the same administrative liability as legal entities. 2. Personnel of an institution (engaged in transactions with funds or other assets) directly responsible for identifying and (or) reporting transactions that are subject to mandatory monitoring or that are suspected of being related to ML or FT who commit administrative offences specified in Clauses 1 and 2 of this Article are subject to the same administrative liability as executive officers.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	Federal Law No.130-FZ enhanced liability of legal entities for FT by adding new Article 15.27.1 into the RF Code of Administrative Article 15.27.1. Provision of Financial Support to Terrorism Providing or raising funds or rendering financial services for organization, preparation or commission of at least one of the criminal offences punishable under Articles 205, 205.1, 205.2, 205.3, 205.4, 205.5, 206, 208, 211, 220, 221, 277, 278, 279 and 360 of the RF Criminal Code, or for supporting an organized group, illegal armed group, criminal community (criminal organization) that has been or is being created for committing at least one of the criminal offences listed above: is punishable by imposition of administrative fine on legal entities in amount of ten million up to sixty million rubles.

Recommendation 21 (Special attention for higher risk countries)
Rating: Partially compliant

Recommendation of the MONEYVAL Report	*Russia should require FIs to give special attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations. FIs should also examine as far as possible the background and purpose of business relationships and transactions with persons from or in those countries, to set forth the findings of such examinations in writing and to keep these findings available for competent authorities and auditors for at least five years.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The draft law "On Amendments to the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" and the RF Code of Administrative Offences" proposes amendments to subparagraph 2 of item 1 of Article 6 of the AML/CFT Law, which specifies the requirements for mandatory control of transactions with monetary funds and other property if they essentially constitute a crediting or transfer of monetary funds to an account, provision or receipt of credit (loan), or transactions in securities, where at least one of the parties is a natural or legal person registered, residing or located in a country (on a territory) that does not apply or insufficiently applies FATF recommendations, or where the said transactions are carried out via an account with a bank registered in the said country (on the said territory). The list of such countries (territories) is determined in accordance with the procedure set out by the Russian Government, taking into account FATF statements. The said list is subject to publication.
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law No. 176-FZ of July 23, 2010, which amends the AML/CFT Law, provides for amendments to subitem 2 of item 1 of Article 6, specifying the monetary transactions subject to mandatory control, i.e., any transaction involving crediting or transferring of funds to an account, granting or receiving a loan, as well as transactions in securities, if at lease one of the parties is an individual or legal entity registered or residing in a state (territory) which does not comply, or insufficiently complies, with the recommendations of the Financial Action Task Force (FATF), or if the said transaction is carried out using a bank account registered in such state (territory). The list of such states (territories) is determined in accordance with a procedure approved by the Government of the Russian Federation and with account for the documents issued by the Financial Action Task Force (FATF), and to be published). Additionally, pursuant to subitem 5.5 item 5 of Article 7 of the AML/CFT Law, institutions executing transactions with monetary funds and other assets are required to pay increased attention to any transactions with monetary funds or other assets executed by individuals or entities referred to in subparagraph 2 of paragraph 1 of Article 6 of this Federal Law, with their participation, on their behalf, or for their benefit, as well as through the use of the bank account referred to in subparagraph 2 of paragraph 1 of Article 6 of this Federal Law. Russian Governmental Decree No. 967-r of June 10, 2010 approved new Recommendations Concerning the Development of Internal Control Rules for AML / CFT to replace Government Decree No. 983-r, which contains all the specified requirements. Item 19 of the Decree No. 967-r directly requires the program that is used for identification of transactions subject to mandatory control to contain a procedure for studying by organizations of the grounds and goals for the execution of all similar transactions, as well as to record the obtained results in writing. Upon detection of any signs of an unusual transaction, the organization is required to analyze all other transactions executed by the client in question to see if their suspicions of ML /FT are validated. At the same time, the organization is required to

	also take the following steps: a) ask the client to provide the necessary explanations, including additional information explaining the economic sense of the unusual transaction; b) pay extra attention to all transactions executed by this client, as required by these recommendations; c) take other necessary measures permitted by the laws of the Russian Federation. A relevant record pertaining to the measures taken by the organization in respect to the client and in connection with the identified unusual transaction or its signs must be made in an internal transaction report. The results of the study of the grounds for and purpose of the identifying unusual transactions; other documents resulting from the implementation of internal controls and programs should be kept for a period of at least 5 years from the date of termination of the relationship with the client. The information and documents must be stored in such a way as to allow their speedy retrieval at the request of the Federal Service for Financial Monitoring, as well as other public authorities within their scope of their competence and in cases stipulated by the law of the Russian Federation. Information letter No. 17 stipulates that the client or his contractor who is registered or residing in a state (territory) which does not comply with Financial Action Task Force (FATF) recommendations should be assigned to the high-risk category in terms of ML / FT; as well as if the client's contractor, founder or transaction beneficiary has ties to such territories, or if transactions are executed using a bank account registered in such state (territory). With regard to high-risk clients, the Order No. 59 and Information letter No. 17 require the application of enhanced supervisory and monitoring measures against such clients and their transactions with the goal of identifying transactions linked to ML / FT and submitting STR to the Rosfinmonitoring
Measures taken to implement the recommendations since the adoption of the second progress report	Apart from the measures that have been taken earlier, it should be noted that according to the Requirements for Internal Control Rules Developed by Non-Credit Institutions (RG Government Resolution No.667) the customer, customer’s representative and beneficiary identifications procedures implemented by an institution include identification of legal entities and individuals that/who are registered, reside or are located in a country (territory) that do not apply the FATF Recommendations, or use accounts opened with banks registered in such country (territory). Please, see information above. In addition to the customer, customer’s representative and (or) beneficiary identification requirements that had been already established by AML/CFT Law for institutions engaged in transactions with funds or other assets, Federal Law No.134-FZ introduced a new requirement – when establishing business relationships with corporate customers, institutions engaged in transactions with fund or other assets are obliged to obtain information on purposes and intended nature of such business relationships, regularly take measures that are reasonable and available under the circumstances for determining business profile, financial standing and business reputation of customers and also undertake reasonable and available under the circumstances measures for identifying beneficial owners. These requirements also apply to individuals other than RF citizens. In addition to that, Regulation No.375-P obliges credit institutions to categorize their customers taking into account the risk criteria used for assessing the level (degree) of

	risk of customer involvement in ML/FT transactions. Regulation No.375-P specified the main categories (types) of risk, which include the "country risk". Besides that, listed in Regulation No.375-P are the factors that affect assessment risk of posed by a customer with consideration for "country risk". For example, the factor affecting assessment of risk posed by a customer in terms of "country risk" is information available to a credit institution on country (territory) in which a customer is registered (resides or is located), the customer beneficial owner is registered (resides or is located), a bank servicing the customer's counter party is registered (located) indicating, among other things, that: - such foreign country (territory) is subject to the international sanctions approved by the Russia Federation (e.g. Russia applies measures under the UNSC Resolutions); - such foreign country (territory) is subject to the "special economic measures" applied under Federal Law No.281-FZ "On Special Economic Measures" dated December 30, 2006; - such foreign country (territory) is included in the list of countries (territories) that do not apply the FATF Recommendations compiled and published by the designated authority in the established manner. In addition to the aforementioned foreign countries (territories) a credit institution may additionally identify foreign countries (territories) taking into account other factors affecting assessment of customer risk as it pertains to "country risk".
Recommendation of the MONEYVAL Report	*Since Russia reported that it has a legal structure in the form of a new Law on Special Economic Measures, it should use this structure to implement countermeasures stipulated in Recommendation 21.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The legal mechanism for implementing the Federal Law dated 30 December 2006 No. 281-FZ "On Special Economic Measures" is well structured and consistent. In case of a threat to the national interest of the Russian Federation and basing on decisions of the Russian Security Council and (or) Chambers of the Federal Assembly, the Russian President decides to implement special measures. The Russian Government and Central Bank elaborate the President's decision with their regulatory acts, while competent authorities ensure effective implementation of these acts within their competence. The important elements of this mechanism are publicity and strict parliamentary control.
Measures taken to implement the recommendations since the adoption of the first progress report	The legal framework contained in the Federal Law No. 281-FZ of December 30, 2006 is widely used in practice. Thus, on the basis of this mechanism and in pursuance of the Presidential Decrees, measures were adopted to ensure the implementation of UN Security Council Resolution 1929 of June 9, 2010 and UN Security Council Resolution 1874 of June 12, 2009 ").
Measures taken to implement the recommendations since the adoption of the second progress report	See measures taken earlier. The efforts are underway to implement the mechanism established by Federal Law No.281-FZ dated 30.12.2006 "On Special Economic Measures" which provides for imposition, by the Presidential Decrees, of targeted financial sanctions against certain jurisdictions and persons. To ensure proper implementation of the Presidential Decrees on imposition of the "special economic measures" Bank of Russia has issued the following letters: - Letter No.74-T dated May 26, 2010 regarding UNSCR 1874 dated June 12, 2009; - Letter No.174-T dated November 3, 2010 regarding UNSCR 1929 dated June 9,

	2010; - Letter No.78-T dated April 19, 2013 regarding UNSCR 1874 dated June 12, 2009 and UNSCR 1929 dated June 9, 2010 following extension of the lists of individuals and legal entities designated by these Resolutions; - Letter No.267-T dated December 31, 2013 regarding UNSCR 2094 dated March 7, 2013. For mitigating risk of involvement of credit institutions in ML/FT-related transactions, this Letter, among other things, prescribes credit institutions to assess the level of "country risk" posed by customers and to deal with individuals and legal entities from/ in countries that are subject to the international sanctions imposed by the UNSC Resolutions with due consideration for the provisions of the RF President Decrees. The RF President Decrees on imposition of the "special economic measures" and the BoR Letters issued in pursuance thereof are posted on BoR's official website.
Recommendation of the MONEYVAL Report	*As an urgent measure, Russia should establish a set of countermeasures that may be made obligatory for financial institutions of the country continues to ignore FATF Recommendations.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Under Article 3 of the Federal Law "On Special Economic Measures", special economic measures include a prohibition of actions with respect to a foreign state and (or) foreign institutions and citizens, as well as persons without citizenship who permanently reside in a foreign state, and (or) the obligation to carry out such actions, as well as other restrictions. Among others such measures may be aimed at: - prohibiting or restricting financial transactions; - prohibiting or restricting foreign economic transactions; - terminating or suspending international trade agreements and other international treaties of the Russian Federation in the sphere of foreign economic relations. The grounds for applying the said economic measures under part 2 of Article 1 of the Federal Law "On Special Economic Measures" are a combination of circumstances that require an urgent response to an international unlawful deed or an unfriendly act by a foreign state or its agencies and officials, which poses threat to the interests and security of the Russian Federation and (or) infringes on the rights and freedoms of its citizens, as well as pursuant to UN Security Council Resolutions.
Measures taken to implement the recommendations since the adoption of the first progress report	The legal framework contained in the Federal Law No. 281-FZ of December 30, 2006 is widely used in practice. Thus, on the basis of this mechanism and in pursuance of the Presidential Decrees, measures were adopted to ensure the implementation of UN Security Council Resolution 1929 of June 9, 2010 and UN Security Council Resolution 1874 of June 12, 2009".
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
(Other) changes since the second	

progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 22 (Foreign branches & subsidiaries)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The Russian authorities should consider harmonizing the existing legal and regulatory framework to ensure that all foreign operations – both branches and subsidiaries – of Russian FIs observe Russian AML/CFT requirements. Existing guidance for credit institutions on managing the risk associated with foreign operations should be expanded to address ML and TF risks as well as prudential risks. Russian regulators should consider issuing specific guidance to Russian credit institutions regarding the need for increased vigilance over foreign operations in jurisdictions that do not (or insufficiently) apply the FATF recommendations. FIs should be required to inform their Russian supervisor when a foreign operation is unable to observe appropriate AML/CFT measures because of local conditions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The draft law "On Amendments to Article the Federal Law On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" proposes the necessary amendments to the AML/CFT legislation that would expand the Law's effect in space. Once the law enters into force, the AML/CFT requirements will be mandatory for branches and subsidiaries of institutions carrying out transactions with monetary funds and other property, which are located outside the Russian Federation. The Federal draft law "On Amendments to Article 7 of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" and Part Two of the Civil Code of the Russian Federation" proposes supplementing Article 7 of this Law with a new item 5.3, which obligates institutions carrying out transactions with monetary funds and other property to inform the competent as well as supervisory authority that their branches and subsidiaries located in a foreign country (or on a territory) are partially or totally unable to observe AML/CFT legislation or its certain provisions.
Measures taken to implement the recommendations since the adoption of the first	The Federal Law No. 176-FZ of July 23, 2010 broadens the scope of the AML/CFT Law. Thus, the AML / CFT-related requirements must be complied with by subsidiaries and affiliated of institutions executing transactions with monetary funds and other assets located outside Russia, unless it runs contrary to the law of a foreign state.

progress report	Additionally, the said law establishes a requirement for institutions executing transactions with monetary funds and other assets to notify the competent authority as well as supervisory authority of its jurisdiction of the inability (partial ability) of its overseas branches and subsidiaries located in the state (territory) that impedes the fulfillment of the law on combating money laundering and terrorist financing or its individual provisions to fulfill the said law. With the goal of clarifying the issues related to the application of paragraph 5.3 of Article 7 of the AML/CFT Law Rosfinmonitoring has issued an information letter No. 9 dated January 26, 2011, while the Bank of Russia has issued a letter No. 32-T dated March 9, 2011 "On the Information letter of the Federal Service for Financial Monitoring No. 9 dated January 26, 2011".
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see measures taken earlier. According to Article 6, clause 1, par.2 of the AML/CFT Law subject to mandatory monitoring are transactions in amount of 600,000 and more rubles that involve transfer or crediting of funds to accounts, granting or receiving loans and securities transactions where at least one party to such transactions is an individual or legal entity registered, residing or located in a country (territory) that does not apply the FATF Recommendations, or where such transactions are carried out with the use of account opened with a bank registered in such country (territory). Pursuant to Article 7, clause 5.5 of the AML/CFT Law institutions engaged in transactions with funds or other asses should pay enhanced attention to transactions carried out by individuals or legal entities listed in Article 6, clause 1, par.2 of the AML/CFT Law or with their participation, or on their behalf, or in their interests and/or transactions carried out with the use of bank account indicated in Article 6, clause 1, par.2 of the AML/CFT Law.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 23 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should – as a matter of urgency – strengthen the regime to prevent criminals from becoming major shareholders in a CI by amending the Banking Law to lower the threshold from 20% to 10%, by ensuring that every person who, directly or indirectly, holds more than 10% of the shares or the votes of a credit institution, is checked as a*

	major shareholder and by ensuring that the BoR can refuse an acquisition if the concerned person was convicted for having committed a financial crime.
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The BoR has prepared a draft Strategy for the development of the Russian banking sector till 2012, which is expected to be adopted in the near future in a joint statement by the Russian Government and BoR. The said draft invisages provisions aimed at improvement of the procedure for investment in banking capital and the BoR functions to control major beneficial owners of shares (interest) in credit institutions. The said measures are stipulated simultaneously in item 24 of the draft action plan for the implementation of the abovementioned Strategy in the years 2008-2012. It introduces the following norms: - establishment of a requirement for the financial condition and business reputation of founders of credit institutions and beneficial owners of over 10% of shares (interest); - the BoR is granted powers to assess the business reputation and financial condition of the said persons in accordance with BoR established criteria on a permanent basis; - development of a mechanism whereby the BoR can remove owners of 10% of shares (interest) from managing credit institutions, if their financial condition or business reputation no longer meets the requirements set; - the BoR is granted powers to collect information on persons whose activity has resulted in damage to the financial condition of credit institutions or violation of the law, or has led to situations threatening the interests of creditors or stability of the Russian banking system. The BoR participates in amending the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)", under which the BoR will be entitled to establish requirements for the business reputation of founders (members) owning over 20 percent of shares (interest) in a credit institution, as well as the right to refuse to approve the acquisition of more than 20 percent of shares (interest) in a credit institution if the business reputation of the acquiring persons is found to be unsatisfactory. At the same time, it is planed to amend the Federal Law “On Banks and Banking Activity” (hereafter the Banking Law), which would establish requirements for the business reputation of credit institution founders or persons acquiring over 20 percent of shares (interest) in a credit institution, which could be used to recognise that business reputation of the said persons is unsatisfactory: - previous convictions for deliberate economic crimes as well as other deliberate crimes (except minor offences); - violation of antimonopoly rules; - effective court rulings that have found the owner guilty of illegal actions during bankruptcy proceedings, premeditated and (or) fictitious bankruptcy; - failure to take financial rehabilitation measures at credit institutions where the said persons owned, including as part of groups named in Article 11 of the Banking Law, over 20 percent of shares (interest), and in relation to which an arbitration court passed a ruling declaring a credit institution insolvent (bankrupt) or which has been liquidated at the BoR initiative within 10 years preceding from the date of the relevant

	approval request submitted to the BoR; - a court has found the said person guilty of causing damage to any credit institution while serving as a member of the Board of Directors (Supervisory Board) of the credit institution, a sole executive body, his deputy and (or) member of a collegial executive body. It is proposed to consider unsatisfactory business reputation of the founders of a credit institution as a ground to refuse state registration of the credit institution and issuance of a banking license. As regards the introduction of a prohibition for a person convicted of an economic crime to manage a financial institution, please be informed that this recommendation has been incorporated into the Banking Law. Article 11.1 of the Banking Law stipulates that the BoR is entitled to refuse the appointment of a person to the position of the director of a credit institution (branch) on the grounds stipulated in Article 16 of the said Law, one of which is a conviction for an economic crime.
Measures taken to implement the recommendations since the adoption of the first progress report	In the Banking Sector Development Strategy of the Russian Federation for the period till 2015, adopted by the Russian Government and the Bank of Russia in December 2010, there have been recorded the provisions aimed at improving both the procedures for admission of capital to the banking services market and supervisory functions of the Bank of Russia for credit organizations major acquisitions (more than 10 %) of shares (stakes). Indicated measures are simultaneously provided by a plan of action on implementation the Banking Sector Development Strategy in the Russian Federation for the period till 2015 and focused on: - specification of requirements (including those specified for professional reputation) for heads and founders (participants) of a credit organization, conferring to the Bank of Russia authority to monitor compliance of such participants with the established requirements, to carry out collection of information on their professional reputation, to maintain relevant databases to process and keep personal data; - introduction of changes in legislation in relation to simplification of credit organizations securities issuing procedure, as well as providing control on the part of the Bank of Russia on credit organization major shares (stakes) purchasers; - establishing of legal provisions that oblige nominee holders to provide credit organization with all details about owners of credit organization shares and about joint-stock companies share owners that indirectly (through third parties) have significant influence on decisions taken by business administration of a credit organization, including third parties, by the agency of which significant influence on the decisions taken by business administration of a credit organization is exerting indirectly.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.146-FZ dated 02.07.2013 “On Amendments to Certain Legislative Acts of the Russian Federation” introduced the following amendments and modifications into the Law on Banks and Banking Activity: - the maximum amount of shares of (interest in) a credit institutions subject to acquisition without prior consent of the Bank of Russia is decreased from 20 percent to 10 percent; - the Bank of Russia is empowered to assess, *inter alia*, on ongoing basis, qualification and business reputation of CEOs (managers) of a credit institution (its

	branch) and nominees to these positions; business reputation of the members of the board of directors (supervisory board) and nominees to these positions; and also financial standing and business reputation of individual and corporate founders (shareholders) of a credit institution, acquirers (holders) of over 10% of shares of (interest in) a credit institution and persons establishing (exercising) control over shareholders (members) of a credit institutions holding over 10% of shares (interest) (hereinafter persons who control credit institution shareholders (members)), including individuals acting in the capacity of sole executive bodies of such legal entities; - the extensive list of criteria for assessing business reputation of the aforementioned persons is established. The persons listed above should, among other things, have no criminal record and should not be found guilty by court of causing bankruptcy of a legal entity; nominees to the management positions should be not disqualified on the grounds set forth in the RF Code of Administrative Offences and should not be found guilty of providing misleading information about their qualification and business reputation; - the Bank of Russia is entitled to refuse government registration of a credit institution and refuse to grant a banking license to it if the business reputation of the aforementioned persons is found unsatisfactory; - the Bank of Russia is empowered to require replacement of the CEOs (managers) of a credit institution (its branch) and the members of the board of directors (supervisory board) if they do not meet the qualification and business reputation requirements established by the law; - the Bank of Russia is empowered to pull out persons holding over 10% of shares of (interest in) a credit institution and persons who control credit institution shareholders (members) from management of a credit institution if their business reputation and financial standing does not meet the established requirements. To do this, the Bank of Russia is authorized to require to decrease the interest of such persons in a credit institution to less than 10 percent, or to perform transaction(s) for terminating control of such persons over shareholders (members) of a credit institution and for limiting the voting rights of such shareholders (members) by less than 10% of voting shares of a credit institution, until the said requirement is met or cancelled; - the Bank of Russia is empowered to request the federal executive authorities, their local offices and legal entities to provide, free of charge, the relevant information for assessing business reputation of the aforementioned persons and also to request and receive information on financial standing of acquirers of over 10% of shares of (interest in) a credit institution and persons who control credit institution shareholders (members); - the Bank of Russia is empowered to maintain (in the established manner) the database of the aforementioned persons, other officers of credit institutions and other persons whose actions caused damages to financial standing of credit institutions and who have breached the RF legislation and BoR regulations; -the Bank of Russia is empowered to process personal data of the aforementioned persons. Article 16 of the Law "On Banks and Banking Activity" establishes the grounds for denying state (government) registration of a credit institution and banking license, *inter alia*, in a situation where nominees to the management positions (sole executive

	body, his/her deputies, board members) of a credit institution and nominees to the positions of chief accountant and deputy chief accountants of a credit institution (hereinafter nominees) do not meet the qualification and business reputation requirements. Failure by a nominee to meet the business reputation requirements means the following: - a nominee has a non-discharged record of conviction for a deliberate crime; - a nominee was found guilty by a court (within five years before an application for registration of a credit institution is filed with the Bank of Russia) of causing bankruptcy of a legal entity; - when acting previously in the capacity of the CEO (manager), member of the board of directors (supervisory board) or the founder (member) a credit institution, a nominee failed to discharge the obligations under the Federal Law "On Credit Institution Insolvency (Bankruptcy)" by not taking appropriate measures to prevent bankruptcy of a credit institution (and) or to address the potential insolvency (bankruptcy) problems faced by a credit institution; - a nominee was entitled to give mandatory instructions to, or otherwise determine actions of, a credit institution which banking license was revoked under Article 20, clause 2, par.4 of this Federal Law, and (or) which was found insolvent (bankrupt) by an arbitration court; - a nominee was held secondarily liable under the Federal Law "On Credit Institution Insolvency (Bankruptcy)" for financial obligations of a credit institution and (or) for its mandatory payment obligations, if less than three years have passed since such credit institution was recognized bankrupt by an arbitration court; - a credit institution where a nominee previously held the position of the CEO, chief accountant, deputy chief accountant or the position of CEO, chief accountant, deputy chief accountant of its branch or the position of the member of the board of directors (supervisory board) was required (within five years before an application for registration of a credit institution is filed with the Bank of Russia) to replace him/her under Article 74 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia); - a nominee was found guilty by a valid ruling of a judge or by a valid resolution of authority or officer authorized to consider administrative offences (within five years before an application for registration of a credit institution is filed with the Bank of Russia) of committing more than three administrative offences related to finances, taxes and levies, insurance, securities or business activities within one year; - a nominee was disqualified and the disqualification period has not expired as of a day when an application for registration of a credit institution is filed with the Bank of Russia; - a labor contract with a nominee was repeatedly terminated by employers under Article 81, clause 1, par.7 of the RF Labor Code ("Loss of Trust"); - a nominee held the position of the CEO, chief accountant or deputy chief accountant of a credit institution within 12 months prior to appointment by the Bank of Russia of provisional administration and suspension of powers of the executive bodies of such

	credit institution (does not apply to persons who provided evidence to the Bank of Russia that they were not associated with actions (inactions) that led to appointment of provisional administration); - a nominee held the position of the CEO, chief accountant or deputy chief accountant of a credit institution within 12 months prior revocation of credit institution's banking license (does not apply to persons who provided evidence to the Bank of Russia that they were not associated with actions (inactions) that led to revocation of a banking license); - a nominee provided (within five years before an application for registration of a credit institution is filed with the Bank of Russia) misleading information on his/her qualification and business reputation; - a credit institution were a nominee held the position of the CEO, chief accountant, deputy chief accountant or the position of the CEO, chief accountant or deputy chief accountant of its branch was (within five years before an application for registration of a credit institution is filed with the Bank of Russia) subject to sanctions imposed by the Bank of Russia under Article 74 of the Federal Law on the Central Bank of the Russian Federation for providing substantially inaccurate reports/ statements, if a nominee was responsible for preparing and submitting such reports/ statements. The same requirements apply to members of the board of directors. Besides that, if a member of the board of directors is convicted of a deliberate crime or is disqualified, he/she is deemed to have resigned immediately after the relevant court decision enters into force. Pursuant to Article 16, clause 1, par.5 of the Law "On Banks and Banking Activity" unsatisfactory business reputation of the founder of a credit institution who acquires over 10% of shares of (interest in) such credit institution constitutes the grounds for the Bank of Russia to deny state (government) registration of such institution and refuse to grant a banking license to it. The criteria listed in Article 16, clause 1, par.5 of the Law "On Banks and Banking Activity" according to which business reputation of the aforementioned founders may be found unsatisfactory applies to acquirers (holders) of over 10% of shares of (interest in) an existing credit institution, persons who establish (exercise) control over shareholder (members) holding over 10% of shares of (interest in) a credit institution and sole executive bodies of such legal entities. This ensures full implementation of FATF Recommendation 23 as it pertains to measures to be undertaken to prevent persons with unsatisfactory business reputation from becoming shareholders (members) of a credit institution and participating in its management. This list of criteria includes the following grounds: - the said persons have a non-discharged record of conviction for a deliberate crime; - the said persons were was found guilty by a court (within five years before an application for registration of a credit institution is filed with the Bank of Russia) of causing bankruptcy of a legal entity; - a credit institution where the said persons held the positions of the CEO, chief accountant, deputy chief accountant or the positions of the CEO, chief accountant, deputy chief accountant of its branch or the position of the member of the board of directors (supervisory board) was required (within five years before an application for

	registration of a credit institution is filed with the Bank of Russia) to replace them under Article 74 of the Federal Law “On the Central Bank of the Russian Federation (Bank of Russia)”; - the said persons were was found guilty by a valid ruling of a judge or by a valid resolution of authority or officer authorized to consider administrative offences (within five years before an application for registration of a credit institution is filed with the Bank of Russia) of committing more than three administrative offences related to finances, taxes and levies, insurance, securities or business activities within one year; - the said persons held the positions of the CEO, chief accountant or deputy chief accountant of a credit institution within 12 months prior to appointment by the Bank of Russia of provisional administration and suspension of powers of the executive bodies of such credit institution (does not apply to persons who provided evidence to the Bank of Russia that they were not associated with actions (inactions) that led to appointment of provisional administration); - the said persons held the position of the CEO a credit institution within 12 months prior revocation of credit institution’s banking license (does not apply to persons who provided evidence to the Bank of Russia that they were not associated with actions (inactions) that led to revocation of a banking license); - a credit institution were the said persons held the positions of the CEO, chief accountant, deputy chief accountant or the positions of the CEO, chief accountant or deputy chief accountant of its branch was (within five years before an application for registration of a credit institution is filed with the Bank of Russia) subject to sanctions imposed by the Bank of Russia under Article 74 of the Federal Law “On the Central Bank of the Russian Federation” for providing substantially inaccurate reports/ statements, if the said persons were responsible for preparing and submitting such reports/ statements; - the said persons failed to discharge the obligations under the Federal Law “On Credit Institution Insolvency (Bankruptcy)” by not taking appropriate measures to prevent bankruptcy of a credit institution (and) or to address the potential insolvency (bankruptcy) problems faced by a credit institution; - the said persons were entitled to give mandatory instructions to, or otherwise determine actions of, a credit institution which banking license was revoked under Article 20, clause 2, par.4 of this Federal Law, and (or) which was found insolvent (bankrupt) by an arbitration court; - The said persons were held secondarily liable under the Federal Law “On Credit Institution Insolvency (Bankruptcy)O for financial obligations of a credit institution and (or) for its mandatory payment obligations, if less than ten years have passed since such credit institution was recognized bankrupt by an arbitration court; - the said persons were found guilty by a court (within five years before an application for registration of a credit institution is filed with the Bank of Russia) of causing damage (inflicting losses) to a legal entity when acting in the capacity of a members of the board of directors (supervisory board) and or CEO of such legal entity. To ensure implementation of the aforementioned requirements set forth in Federal Law No.146-FZ the Bank of Russia has adopted and issued the following BoR

	regulations: 1) BoR Regulation No.408-P dated 25.10.2013 "On procedure of assessment of compliance with the qualification and business reputation requirements by persons listed in Article 11.1 of the Federal Law on Banks and Banking Activity and in Article 60 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) and on procedure of maintaining the database as required by Article 75 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)" (hereinafter BoR Regulation No.408-P). 2) Regulations introducing amendments and modifications corresponding to those introduced by Regulation No.408-P: - BoR Directive No.3101-U dated 25.10.2013 № 3101-У "On amendments and modifications to BoR Regulation No.386-P dated August 29, 2012 on Reorganization (Restructuring) of Credit Institutions by their Merger and Consolidation". The introduced modifications are related to the requirements established by Federal Law No.146-FZ for business reputation of members of the board of directors (supervisory board) of credit institutions and the CEOs, chief accountants and deputy chief accountants of credit institutions (their branches); cancel the requirement for approval by the Bank of Russia of nominees to positions of the deputy CEOs and deputy chief accountants of credit institutions' branches; and modify the procedure of state (government) registration of credit institutions following their reorganizations (restructuring) by consolidation/ merger (Federal Law No.251-FZ that introduced amendments and modifications into the Federal Law on Securities Market); - BoR Directive No.3102-U dated 25.10.2013 "On amendments and modifications to BoR Regulation No.275-P dated August 11, 2005 on Procedure of Issuing by the Bank of Russia of a Banking License to a Credit Institution which Bankruptcy Process is Terminated following Discharge of its Obligations by its Founder (Members) or by Third Party (Parties)"; - BoR Directive No.3103-U dated 25.10.2013 "On amendments and modifications to BoR Regulation No.271-P dated June 9, 2005 on Procedure of Considering Documents Filed with BoR Local Offices for Government Registration of Credit Institutions, Granting Banking Licenses and Maintaining Databases Containing Information on Credit Institutions and their Branches"; - BoR Directive No.3124-U dated 26.11.2013 "On amendments and modifications to BoR Instruction No.135-I dated April 2, 2010 on Procedure of Making Decisions by BoR Concerning State (Government) Registration of Credit Institutions and Issuing Banking Licenses" (hereinafter BoR Directive No.3124-U). 3) BoR Regulation No.415-P dated 18.02.2014 "On Procedure and Criteria of Assessment of Financial Standing of Corporate Founders (Members) of Credit Institutions and Financial Standing of Legal Entities Acquiring Shares of (Interest in) Credit Institutions and (or) Establishing Control over Credit Institution Shareholders (Members)" (hereinafter BoR Regulation No.415-P). This Regulation was issued following amendments introduced into the legislation by Federal Law No.146-FZ and No.282-FZ and is intended for enhancing efficiency of oversight by the Bank of Russia (in compliance with the RF banking legislation) of sources of funds invested into the authorized capital of credit institutions. 4) BoR Regulation No.416-P dated February 18, 2014 "On Procedure and Criteria of

	Assessment of Financial Standing of Individual Founder (Members) of Credit Institution and Financial Standing of Natural Persons Acquiring Shares of (Interest in) Credit Institutions and (or) Establishing Control over Credit Institution Shareholders (Members)" (hereinafter BoR Regulation No.416-P). 2. For enabling the Bank of Russia to exercise the powers related to monitoring of acquisition of over 10% of shares of (interest in) credit institutions Federal Laws No.282-FZ and No.146-FZ introduced amendments to the Federal Laws on Banks and Banking Activity, on the Central Bank of the Russian Federation and on Insurance of Individuals' Deposits in the RF Bank that established the following requirements and provisions: - A new requirement is established according to which prior (subsequent) consent of the Bank of Russia is required for acquisition and (or) receiving in trust of over 10% of shares of (interest in) a credit institution by a natural or legal person or by a group of persons and for establishing direct or indirect (through third parties) control over credit institution shareholders (members) holding over 10% of shares of (interest in) such credit institution; - The Bank of Russia is empowered to issue instructions (orders) for eliminating breaches related to non-compliance by acquirers of over 10% of shares of (interest in) a credit institution or by persons establishing direct or indirect (through third parties) control over credit institution shareholders (members) holding over 10% of shares of (interest in) such credit institution with requirements of the Federal Law on Banks and Banking Activity and BoR Regulations issued in furtherance thereof pertaining to BoR prior or subsequent consent for acquisition of over 10% of shares of (interest in) a credit institution and (or) establishing control over credit institution shareholders (members) holding over 10% of shares of (interest in) such credit institution; - The Bank of Russia is empowered to refuse to give its consent for acquisition of over 10% of shares of (interest) in a credit institution if BoR is unsatisfied with the business reputation of a corporate acquirer and (or) a person acting in the capacity of the sole executive body of a corporate acquirer and (or) an individual who intends to establish (or has established) control over credit institution's shareholders (members) and (or) a person acting in the capacity of the sole executive body of a legal entity that intends to establish (or has established) control over credit institution's shareholders (members); - The Bank of Russia is empowered to issue instructions (orders) for eliminating breaches related to non-compliance by a shareholder (member) of a credit institution with the procedure of disclosing information on persons who/that control or exert substantial influence over a credit institution established by the Federal Law on Insurance of Individuals' Deposits in the RF Banks. To ensure implementation of the provisions and requirements of the aforementioned Law the Bank of Russia issued Instruction No.146-I dated 25.10.2013 on Procedure of Obtaining Consent of the Bank of Russia for Acquisition of Shares of (Interest in) Credit Institutions, which established: - Procedure of granting consent to acquirers of shares of (interest in) credit institutions and to persons establishing control over shareholders (members) of credit institutions (including procedure of submission of documents required for assessment of business reputation of an acquirer of shares of (interest in) a credit institutions and its sole

	executive body (if any) and business reputation of a person who/that establishes control over a credit institution shareholder (member) and its sole executive body (in any); - Procedure of drawing up and disseminating instructions (orders) for eliminating breaches in the process of acquisition of shares (interest) and (or) establishing control over credit institution shareholders (members) and procedure of assessing business reputation of acquirers of shares of (interest in) credit institutions and persons establishing control over credit institutions' shareholders (members). In addition to that, the Bank of Russia issued Directive No.3111-U dated 15.11.2013 "On Procedure of Giving and Cancelling by the Bank of Russia of Order to Credit Institution Shareholder (Member)". This Directive specifies how the Bank of Russia sends orders to credit institutions' shareholders (members) requiring them to eliminate breaches related to non-compliance with the BoR procedure of disclosing information on persons who/that control or exert substantial influence over a credit institutions as well as how the Bank of Russia cancels such orders. Following amendment by Federal Law No.282-FZ of the legislation as it pertains to simplification of the procedure of issuing securities by credit institutions, the Bank of Russia issued Instruction No.148-I dated 27.12.2013 "On Implementation of Procedure of Issuing Securities by Credit Institutions in the Russia Federation". This Instruction came into effect on April 8 2014 and was one of the actions taken by Russia for eliminating the remaining deficiencies following adoption of the first follow-up report. The aforementioned Instruction was drawn up with due consideration for the provisions of Federal Law No.282-FZ, Federal Law No.146-FZ "On Amendments to Certain Legislative Acts of the Russian Federation" and Federal Law No.251-FZ dated July 23, 2013 "On Amendments to Certain Legislative Acts of the Russian Federation following Assignment of Financial Market Regulation, Monitoring and Supervision Responsibilities to the Central Bank of Russia". The Instruction establishes the procedure of preliminary examination and consideration of documents required for government registration of credit institution securities issue, specifies situations where a prospectus is needed, reduces the time period for examination of documents submitted for government registration of securities issue in compliance with the law and establishes a new procedure of registration of securities issued by reorganized (restructured) credit institutions, including changes in the registration documents of restructured credit institution that issues bonds. Besides that, the Instruction allows for submitting documents electronically (with digital signature as per the requirements of Federal Law No.63-FZ dated April 6, 2011 on Electronic Signature), cancels the requirement for submitting documents contained in legal files of credit institutions stored in the Bank of Russia and changes the criteria of compiling the list of credit institutions with which accounts may be opened for accumulating foreign currency received as payment for shares. 2. At present, the statutory requirement that obliges nominee shareholders to disclose to a credit institution information on actual holders of shares of such credit institution and on holders of joint stock companies' shares who indirectly (through third parties) exert substantial influence over decisions taken by the management bodies of a credit

	institution is fully implemented with the adoption of Federal Law No.415-FZ dated December 7, 2011 "On Amendments to Certain Legislative Acts of the Russian Federation following Adoption of Federal Law on the Central Depository" which established the aforementioned requirements in Federal Law No.39-FZ on Securities Market dated April 22, 1996. In this context, it should be noted that regular disclosure to a credit institution of information on its shareholders (members) and ultimate owners (including persons who control or exert substantial influence over a credit institution) directly depends on proper compliance by credit institutions with Article 44 of the Federal Law "On Insurance of Individuals' Deposits in the RF Banks" and BoR Directive No.1379-U dated April 16, 2004 "On Assessment of Financial Standing of Bank for Participation in Deposit Insurance System" and BoR Regulation No.345-P dated October 27, 2009 "On Disclosure of Information (on BoR Official Website) on Persons who Control or Exert Substantial Influence over Banks that are Part of the System of Mandatory Insurance of Individuals' Deposits in the RF Banks" issued in furtherance of the aforementioned Law.
Recommendation of the MONEYVAL Report	*Russia should as a matter of urgency – and as already recommended in the Second Round Evaluation Report by MONEYVAL – i) implement provisions to prevent criminals from becoming major shareholders in a non-CI FI, ii) raise the awareness of the staff of the FSFM, the FISS and Roscomnadzor and increase their number of staff substantially to ensure that every FI undergoes at least one on-site inspection every three years and that – on a risk basis - more targeted in-depth thematic reviews are carried out, and iii) consolidate and strengthen the system to register and supervise organizations providing MVT services according to article 13.1 Banking Law, including the implementation of fit and proper tests.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The FSFM has elaborated the Federal draft law "On Amendments to the Federal Law 'On the Securities Market' and other legislative acts of the Russian Federation" (in terms of prudential supervision of professional participants in the securities market and procedure of paying compensation to natural persons in the securities market), which includes provisions on preventing criminals from becoming major shareholders in professional participants of the securities market, namely: a person convicted for the deliberate crimes may not own 5 or more percent of common shares (interest) in a professional participant in the securities market. This draft law also stipulates that a person convicted of the deliberate crimes may not be a member of the Board of Directors (Supervisory Board), a member of the collegial executive body of a professional participant in the securities market, a person acting as the sole executive body, or a director of a branch of a professional operator in the securities market, a controller (head of the internal control service), risk manager, or director of a credit institution's structural division established to act as a professional participant in the securities market, or the director of a standalone business unit of a professional operator in the securities market. Furthermore, the draft law empowers of the FSFM to request information about business reputation, including information about any prior convictions of their founders from the authorities and professional participants in the securities market. In respect of the in-depth thematic reviews carried out on a risk basis:

	Rosfinmonitoring provides the FSFM, FISS, and Roscomnadzor with the information concerning institutions that pose the highest risk in terms of ML/TF in regular basis. Basing on Rosfinmonitoring information, supervisory bodies conduct not only unplanned inspections , but also revoke licenses of market participants (in 2008, the FSFM revoked 19 licenses, 6 times as many as in 2006). In the sector of postal money transfers, Rosfinmonitoring in cooperation with Roscomnadzor detected a typological cash conversion scheme. The rising bank fees and the availability of postal money transfer services have created preconditions for cash conversion schemes shift to the postal money transfer sector. A number of unplanned inspections carried out by Roscomnadzor with the participation of Rosfinmonitoring in respect of a number of Post of Russia branches made it possible to detect and deter the spread of this scheme. The relevant materials have been submitted to the law enforcement bodies. Post of Russia incorporated the cash conversion scheme indicators into its procedures relating to internal control rules. To supply AML/CFT supervisory bodies with qualified human resources, Rosfinmonitoring and the International Training and Methodological Centre of Financial Monitoring established by Rosfinmonitoring are working to organize a training and professional development system for specialists of supervisory bodies. The International Training and Methodological Centre of Financial Monitoring has developed Standard Training Program for employees of supervisory bodies and Methodological Recommendations on AML/CFT Training. It is also implementing a program called “Supervision in the Field of AML/CFT” for employees of supervisory bodies in AML/CFT sphere. Additionally, Rosfinmonitoring and other supervisory bodies (FSFM, Roscomnadzor and FISS) have analyzed their needs for additional staff in charge of the AML/CFT issues and submitted proposals to the Russian Government. By the Russian Government Resolution dated 5 December 2008 No. 914 “On amendments to Russian Government resolutions dated 8 April 2004 N. 203 and 30 June 2004 No. 330", the maximum number of employees of the FISS territorial bodies has been increased from 119 to 160 (effective since 1 January 2009). Special laws that will govern the activity of both bank and non-bank payment agents to be controlled by supervisory bodies determined by the Russian Government (Article 7 of Federal Law No. 103-FZ) as well as the BoR (in relation to bank payment agents) will come into force on 1 January 2010 . The FISS has submitted proposals to amend Federal Law dated 27 November 1992 No. 4015-1 "On the organization of insurance business in the Russian Federation" to the Financial Markets and Money Circulation Committee at the Council of Federation of the Federal Assembly. The proposals concern establishing a prohibition for a person convicted for an economic crime to own and manage financial insurance institution.
Measures taken to implement the recommendations since the adoption of the first	Law of the Russian Federation as of 27.11.1992 No. 4015-1 on Organization of Insurance in the Russian Federation provides the refusal procedures in issuing the license to person (an applicant for a license), if the Head (including the one of a sole executive body) or Chief accountant of the license applicant has non-expunged previous convictions.

progress report	In February 8, 2011 State Duma of the Russian Federation in first reading adopted a draft law on Amending the Federal Law on Securities Market, as well as other legislative acts of the Russian Federation (in the part of creation the system of prudential supervision for securities market professional participants risks), that includes provisions on prevention the criminals from becoming major shareholders of securities market professional participants, namely: a person cannot own (exercise management) 5 or more percent of securities market professional participant ordinary shares (stakes) if such person has been convicted the crimes in the sphere of economic activity or crimes against state authority. Moreover, this draft law provides that a person who has been convicted for crimes in the sphere of economic activity or crimes against state authority can not be a member of the board of directors (supervisory board), a member of securities market professional participant collegial executive body, as well as such person is not able to perform functions of a sole executive body and to be the head of a branch of a securities market professional participant (except for credit organizations exercising activity of a securities market professional participant), or a supervisor (the Head of the internal control service), or a risks manager, or the head of a credit organization structural unit established for exercising the activity of a securities market professional participant, or the head of securities market professional participant separate structural unit in case of holding by the specified professional participant the professional activities in the securities market. The Federal Law 161-FZ on National Payment System tightens the requirements for organizations engaged in transfers of money and values. Changes, established by the Federal Law No. 121-FZ to art. 13.1 of the Federal Law on Banks and Banking Activity, inter alia, provide that a credit organization with which a bank payment agent has an agreement on exercising the activities on reception of payments from individuals, is obliged to monitor a bank payment agent's compliance with the order of exercising the activities on reception of payments from individuals, in accordance with the rules of settlement in the Russian Federation established by the Bank of Russia, as well as requirements of Article 13.1 of the mentioned Law and the legislation on CML/ FT. Failure to comply with these requirements by a bank payment agent is a ground for termination of an agreement on exercising activities on reception the payments from individuals, concluded between a credit organization and such bank payment agent. A credit organization is obliged to maintain a list of bank payment agents with which this credit organization has concluded agreements on exercising the activities on reception of payments from individuals. Since October 2009, the Federal Financial Markets Service of Russia was informed by Rosfinmonitoring and the Bank of Russia about 134 organizations, supervised by the FFMS, which have in its activity an increased risk of operations aimed at legalization (laundering) of incomes received by criminal means, or participation in transactions with the ultimate goal of transferring the non-cash funds into cash money or transactions related to transfer of funds to non-residents under the guise of buying securities. From these organizations, at the time of the first half-year, 44 has been revoked of licenses for professional activities in the securities market (including in result of site inspections - 48 organizations; in result of monitoring of activities - 24

	organizations), to 6 organizations the orders have been sent to eliminate breaches, as regards 9 organizations verification activities are conducting. In order to avoid the possibility of financial markets operations in bad faith, 38 organizations in the course of inspection their activities were directed with orders to ban the execution all or part of their operations.
Measures taken to implement the recommendations since the adoption of the second progress report	**By the time of consideration and adoption of the follow-up report, the following requirements are established by the current legislation:** 1. RF Government Resolution No.111 dated 02.03.2010 "On Adoption of Procedure of Licensing of Stock Exchange Intermediaries and Brokers Trading in Financial Derivatives Underlying Assets of which are Exchange Commodities" specifies the following grounds for denying a license: b) A license applicant does not meet the requirements set forth in clause 10, i.e. persons acting in the capacity of sole executive body of a stock exchange intermediary, members of the board of directors (supervisory board) and collective executive body of a stock exchange intermediary and an internal controls compliance officer of a stock exchange intermediary have a record of conviction for an economic crime or for a crime against the state; and a stock exchange broker has a record of conviction for an economic crime or for a crime against the state. 2. Federal Law No.325-FZ dated 21.11.2011 "On Organized Trading" provides that a person acting in the capacity of the sole executive body of an organizer of trades (person providing organized trade services in commodity and (or) financial market under an exchange or trade system license), head of its branch, chief accountant or other executive officer in charge of maintaining accounting records, risk management officer (or head of a risk management department/unit), internal control officer (head of internal control department/unit), head of organized trade department, members of the board of directors (supervisory board) and members of collective executive body of an organizer of trades should not have a record of conviction for an economic crime or for a crime against the state (Article 6, Clause 6); 3. Federal Financial Markets Service Order No.10-49/pz-n dated 20.07.2010 on Adoption of Licensing Requirements for Professional Securities Market Players provides that in order to obtain a license members of the board of directors (supervisory board), members of collective executive body, the sole executive body and control officer of a license applicant should not have a record of conviction for an economic crime or for a crime against the state, and members of the board of directors (supervisory board) and the sole executive body should not have a record of disqualification for administrative offence (Clause 2.1); 4. Federal Law No.414-FZ dated 07.12.2011 "On the Central Depository" provides that individuals who have a record of conviction for an economic crime or for a crime against the state should be prohibited from holding position in the management bodies of the central depository (Article 5); 5. Federal Law No.395-1 dated 02.12.1990 "On Banks and Banking Activity" provides that state (government) registration of a credit institution and a banking license should be denied if nominees to the positions of the CEO, chief accountant and deputy chief accountants of a credit institution do not meet the qualification requirements established by the federal laws and BoR regulations issued in

	furtherance thereof. Failure of nominees to the aforementioned positions to meet the qualification requirements include, *inter alia*, a record of conviction for economic crimes (Article 16). *6.* RF Law No.4015-1 dated 27.11.1992 "On Insurance Business in the Russian Federation" establishes the grounds for refusal to grant a license, which include, among other things, the fact that managers (including the sole executive body) or chief accountant of a license applicant have a non-discharged record of conviction for a crime. Federal Law No.134-FZ established requirements for founders (members), management bodies and employees of professional securities market players, management companies, insurance companies, microfinance organizations and non-government pension funds that include, *inter alia*, measures to prevent criminals from becoming shareholders and managers of a financial institution (the relevant amendments have been introduced into Federal Law No.39-FZ dated 22.04.96 "On Securities Market", Federal Law No.156-FZ dated 29.11.2001 "On Investment Funds", RF Law No.4015-1 dated 27.11.1992 "On Insurance Business in the Russian Federation", Federal Law No.151-FZ dated July 2, 2010 "On Microfinance Activity and Microfinance Organizations" and Federal Law No.75-FZ dated 07.05.1998 "On Non-Government Pension Funds". Article 12 of Federal Law No.99-FZ dated 04.05.2011 "On Licensing of Certain Types of Activities" establishes the List of activities that are subject to licensing. According to Par.1 Subpar.36 of the List "provision of communication services" is subject to licensing. Order No.213 issued by the Ministry of Communications and Mass Media on 29.08.2011 adopted the Administrative Regulation on supervision by the Federal Service for Supervision of Communications, Information Technologies and Mass Media (Roscomnadzor) of compliance by the federal postal service institutions with the established procedure of recording, retaining and reporting information on financial transactions that are subject to monitoring under the RF legislation and establishment and implementation of internal controls. Roscomnadzor local offices discharge the government supervision functions by conducting inspections (audits) of compliance by the federal postal service institutions with the established procedure of recording, retaining and reporting information on financial transactions that are subject to monitoring under the RF legislation. The local offices of Roscomnadzor perform monitoring and supervision by conducting scheduled and ad hoc on-site inspections and office audits. The requirements provide for annual scheduled inspections (audits) of Post of Russia and its branches. The grounds for ad hoc inspections (audits) are also specified in the aforementioned Administrative Regulation. Clause 5 "f" of the Statute of the Radio Frequency Service adopted by RF Government Resolution No.434 dated 14.05.2014 on Radio Frequency Service stipulates that the functions of the Service include, *inter alia*, assessment, in a manner established by Roscomnadzor, of compliance by the communication service operators with the RF AML/CFT legislation.
Recommendation	*Russia should implement fit and proper tests for leasing companies and amend the*

of the MONEYVAL Report	*Insurance Law to ensure that members of the board of a life insurance company or an insurance broker are fit and proper.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Fit and proper tests for leasing companies are conducted by establishing qualification requirements for special officials in charge of enforcing internal control rules (Government resolution dated 5 December 2005 No. 715), which include a higher education in specific areas or a minimum of 2 years of AML/CFT experience as well as completed AML/CFT training. For other employees of leasing companies, Rosfinmonitoring's Order No. 256 establishes mandatory requirements to undergo systematic AML/CFT training. The FISS has submitted proposals to amend Federal Law dated 27 November 1992 No. 4015-1 "On the organization of insurance business in the Russian Federation" to the Financial Markets and Money Circulation Committee at the Council of Federation of the Federal Assembly. The proposals concern establishing a prohibition for a person convicted for an economic crime to own or manage of a financial institution.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. As regard to requirement for conducting of training activities, the Russian Finance Monitoring Agency has issued an Order as of 03.08.2010 No. 203 on Approval the Regulations on Requirements to Exercise Training the Staff of Organizations Performing Transactions of Money or Other Property with the Purpose to Counteract Both Legalization (laundering) of Incomes Received by Criminal Means and Financing of Terrorism. In particular, besides the previously mentioned provisions of the Order No. 256, it requires during elaboration by an organization of training program for employees in CML/FT sphere, provided by Order No. 967-r, to include in such program the study of typologies, typical schemes and methods of money laundering and financing of terrorism, as well as criteria for identification and indicators of unusual transactions.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ stipulates that "an individual who has a non-discharged record of conviction for an economic crime or for a crime against the state should be prohibited from holding the positions of the CEO (sole executive body), member of the board of directors (supervisory board), member of the collective executive body and chief accountant in a leasing company (firm)". The same requirements are established for the insurance sector.
Recommendation of the MONEYVAL Report	*Russia should amend the Law on Communications to ensure that all conceivable money and value transfer service providers are licensed or registered and supervised.*
Measures reported as of 23 September 2009 to implement the Recommendation	Pursuant to Article 16 of the Federal Law dated 17 July 1999 No. 176-FZ "On Postal Service", postal services, which include postal money transfers, are provided by postal service operators. Pursuant to Article 29 of Federal Law dated 7 July 2003 No. 126-FZ "On

of the report	Communication", legal persons and individual entrepreneurs provide communication services on the remuneration basis only under a communication services license. Postal services are listed among the types of communication and thus are subject of licensing – the list of services approved by the Russian Government Resolution dated 18 February 2005 No. 87. Pursuant to paragraph 5 of item 4 of Article 6 of the AML/CFT Law postal money transfers of amounts exceeding RUB 600,000 carried out by non-credit institutions at a customer's request are subject to mandatory control. Pursuant to subparagraph 5.1.1.2.5 of item 5.1 of the Russian Government Resolution dated 16 March 2009 No. 228 "On the Federal Service for Supervision of Telecommunications, Information Technologies and Mass Communications", the Federal Service for Supervision of Telecommunications, Information Technologies and Mass Communications performs state control and supervision of postal services to ensure their compliance with the internal control procedure and procedure for recording, storing and providing information on postal money transfers with the FIU.
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law as of 27.06.2011 No. 161-FZ on National Payment System, which will enter into force in 29.09.2011, establishes legal and organizational framework for national payment system, regulates both procedure for providing payment services, including transfer of funds and use of electronic means of payment, and activity of national payment system parties, as well as defines the requirements for organization and operation of payment systems and order of supervision and monitoring in national payment system. In accordance with Article 15 of the Federal Law No. 161-FZ, an organization is entitled to become an operator of payment system after the day of receiving a registration certificate issued by the Bank of Russia. The Bank of Russia supervises activities of payment system operators, as well as it has the right to make decisions on exclusion of information about an organization from the registry of payment systems operators.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant	The RF State Duma adopted at the first reading draft Federal Law No.315135-6 on Amendments to Certain Legislative Acts of the Russian Federation Pertaining to Extension of the List of Non-Credit Financial Institutions that are Subject to Regulation, Monitoring and Supervision by the Bank of Russia. This draft Law establishes the procedure of regulation and monitoring (supervision) of operation of payment service agents, including registration of payment acceptance operators. It also establishes the forms (templates) of accounting reports/ financial statements and specifies timelines and methods of submitting such reports/ statements, which allows for identifying major payment acceptance operators. Besides that, the draft law

initiatives	established the procedure of conducting inspections (audits) of payment acceptance operators. Currently, the draft Law is revised in coordination with the Bank of Russia and the revised version will be submitted to the State Duma for adoption at the second reading. Federal Law No.134-FZ dated 28.06.2013 on Amendments to Certain Legislative Acts of the Russian Federation pertaining to Combating Illicit Transactions introduced modifications into Federal Law No.39-FZ dated 22.04.1996 on Securities Market by establishing requirements for management bodies, employees and founders (members) of the professional securities market players. Article 10.1. Requirements for Management Bodies and Employees of a Professional Securities Market Player 1. The following persons should be prohibited from holding the positions of member of the board of directors (supervisory board), member of collective executive body, sole executive body, manager of a branch of a professional securities market players, head of the internal control department, control officer of a professional securities market player, risk management officer (head of risk management department), head of a credit institution department created for operating in the capacity of a professional securities market player and head of a stand-alone department of a professional securities market player, if such professional player is in parallel involved in other types of activities: - Persons who have acted in the capacity of the sole executive body of financial entities when such financial entities committed breaches which resulted in cancellation (revocation) of their relevant licenses, or breaches that resulted in suspension of the said licenses, or which licenses were cancelled (revoked) for failure to eliminate such breaches, if less than three years have passed since such cancellation (revocation). For the purposes of this Federal Law a "financial entity" should mean a professional securities market player; clearing company; investment fund, mutual investment fund and non-government pension fund management company; special depository of investment fund, mutual investment fund and non-government pension fund; incorporated investment fund; credit institution; insurance institution; non-government pension fund; and organizer of trades; - Persons, a period of disqualification of whom for administrative offences has not expired; - Persons who have a non-discharged record of conviction for an economic crime or for a crime against the state. Upon occurrence of circumstances specified in this clause, a current member of the board of directors (supervisory board) is deemed to have resigned immediately after the relevant court decision or resolution of the designated authority enters into force. 2. A person may be elected (appointed) to the positions of sole executive body, head of internal control department, control officer of a professional securities market player as well as to the position of a head of department created for operating in the capacity of a professional securities market player (if a professional securities market player in parallel is involved in other types of activities) only upon prior consent (approval) of the federal securities market authority. The requirements set forth in this Clause do not apply to election (appointment) of a

	person to the position of sole executive body of a credit institution operating in the capacity of the professional securities market player. 3. A professional securities market player is obliged to notify the federal securities market authority in writing of proposed nominees to the positions listed in Clause 2 of this Article. Such notice should contain information confirming compliance of nominee(s) with the requirements set forth in Clause 1 of this Article. The federal securities market authority should, within 10 business days following receipt of such notice, give its consent (approval) to appointment or provide a written reasonable refusal to grant its consent. The federal securities market authority may refuse to give consent in a situation where a nominee does not meet the requirements specified in Clause 1 of this Article or where a notice contains incomplete or inaccurate information. 4. A professional securities market player is obliged to notify the federal securities market authority in writing of dismissal of persons from the positions listed in Clause 1 of this Article not later than one business day following a day when such decision is made. 5. A professional securities market player is obliged to notify the federal securities market authority in writing of appointment (dismissal) of members of its board of directors (supervisory board) and members of its collective executive body within three days following a day when such decision is made. The requirements set forth in this Article do not apply to credit institutions operating in the capacity of professional securities market players. Article 10.2. Requirements for Founders (Members) of a Professional Securities Market Player 1. An individual who has a non-discharged record of conviction for an economic crime or for a crime against the state should not be entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares a professional securities market player. 2. A person who is entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares of a professional securities market player, is obliged to send the relevant notice to the professional securities market player and to the federal securities market authority in a manner and within the timelines established by the federal securities market authority. 3. The federal securities market authority is empowered, within the scope of its supervisory functions, to request and receive, in a manner established by it, information on persons who are entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she

	has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares of a professional securities market player. 4. If the notice mentioned in Clause 2 of this Article is not received by a professional securities market player, or if information contained in the received notice indicates that an individual, who is entitled to vote with 10 and more percent of the voting shares of a professional securities market player, does not meet the requirements set forth in Clause 1 of this Article, such individual should be entitled to vote with no more than 10 percent of the voting shares of a professional securities market player, while other shares (participating interest) held by such person should not be taken into account for defining a quorum of the general meeting (of shareholders/ members) of a professional securities market player. 5. The requirements set forth in this Article do not apply to credit institutions operating in the capacity of professional securities market players.

Recommendation 24 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should improve the data available to analyze the effectiveness of the measures it is taking. Rosfinmonitoring should consider introducing a greater element of risk-based supervision in relation to the categories of firms it supervises. In particular, the risks identified by Rosfinmonitoring in relation to casinos should be subject to greater supervisory attention.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	A new form of statistical reporting (in relation to casinos, gambling outlets, and real estate agents) has been introduced in order to improve statistics used for supervision effectiveness evaluation. The new form involves recording the results of inspections in terms of types of violations and sanctions. For example, this allows keeping statistics on identification violations detected. Russia has also introduced a new form of statistics in supervision of the sector of dealers in precious metals and stones at the Assay Chamber. Rosfinmonitoring performs current monitoring of reporting institutions using risk-based approaches that allow using special algorithms to select institutions with heightened ML risks - institutions with an intense cash turnover and institutions transferring capital into offshore accounts, such as casinos. The number of casinos has decreased considerably due to the introduction of strict limitations on casino operations effective since 2007 (pursuant to Federal Law No. 224-FZ). As of 1 January 2009, Russia had some 122 active casinos, all of which were inspected by Rosfinmonitoring in 2007-2008. It resulted in 72 sanctions against officials and legal persons, including 27 violations of the organization of internal control rules (including 19 sanctions for improper identification) and 42 sanctions for

	failing to report information to Rosfinmonitoring. Due to the prohibition on casino activity outside special gambling zones and due to the financial crisis, many institutions have changed the nature of their business and no longer conduct casino activities. Russia is witnessing an active exodus of the gambling business, in particular casinos, outside the Russian Federation. As to 1.07.09 (the date when four gambling zones started their functioning) no permission to carry out gambling activity has been issued. Rosfinmonitoring has analyzed risks in the casino sector. Based on the analysis findings, the agencies concerned (Ministry of Finance, Federal Tax Service, law enforcement bodies) consider proposals to introduce mechanisms that would prevent illegal activities in the gambling business.
Measures taken to implement the recommendations since the adoption of the first progress report	For January 1, 2011 on the territory of Russian Federation two casinos have been operating, that have become registered in Rosfinmonitoring the inspection will be planned in the near future. In accordance with the Federal Law of 22.04.2010 № 64-FZ on Amendments to Article 6 of the Federal Law on State Regulation of Activities Related to Organization of Gambling and on Amendments to Some Legislative Acts of the Russian Federation, financial requirements for bookmaking offices and totalizators were strengthen, that is aimed at increasing their liability towards clients and at exclusion of the possibility to carry out activities in the sector of dubious organizations.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above. Pursuant to Federal Law No.138-FZ dated November 11, 2003 “On Lotteries” as amended by Federal Law No.416-FZ dated December 28, 2013 “On Amendments to the Federal Law on Lotteries and to Certain Legislative Acts of the Russian Federation” (hereinafter the Federal Law) regional lotteries, municipal lotteries, non-government lotteries and promotional lotteries are banned in the territory of Russian Federation since July 1, 2014. After this date, only national government-run lotteries are permitted in Russia. The Federal Law prohibits gambling activities disguised as lotteries and also forbids to run lotteries with the use of gambling equipment, including slot machines. A legal entity, which CEO, members of the collective executive body or chief accountant have a record of conviction for economic crimes is prohibited from acting in the capacity of the national government-run lottery operator. A legal entity, which CEO, founders and members could exert influence over the operation of a lottery which has resulted in non-performance or improper performance of the obligations pertaining to targeted allocations and (or) other payments under the contract signed with the authorized federal executive agency that organized the lottery, is also prohibited from acting in the capacity of the national government-run lottery operator. The Federal Law obliges a lottery operator to disclose information on persons who can exert (directly or indirectly) substantial influence over lottery operation to a lottery organizer and to notify a lottery organizer of any changes its founders (members) or chief executive officer. According to Federal Law No.244-FZ dated December 29, 2006 “On Government

	Regulation of Gambling Business and on Amendments to Certain Legislative Acts of the Russian Federation" (hereinafter the Federal Law) operation of gambling establishments (except for bookmaker offices and betting shops) in Russia is permitted only in the special gambling zones. The Federal Law provides for establishing four gambling zones in Altai Territory, Primorye Territory, Kaliningrad Region and Krasnodar Territory. Currently, two gambling establishments (casinos) operate in Azov-City gambling zone in Krasnodar Territory. So far, no gambling establishments operate in other zones. Bookmaker offices and betting shops (except for those in the gambling zones) may be opened only upon obtaining the relevant licenses granting the right to arrange and operate gambling in bookmaker offices and betting shops. Individuals who have a not-discharged record of conviction for economic crimes or for deliberate crimes of average gravity and grave and exceptionally grave crimes are prohibited from acting in the capacity of gambling organizers. Pursuant to Federal Law No.64-FZ dated April 22, 2010 a gambling organizer is obliged to provide, on an annual basis, the federal executive authority (designated by the RF Government) with information on persons who hold at least 10% of the voting shares of (participating interest in) such gambling organizer and, therefore, are capable of exerting, directly or indirectly, substantial influence over decisions made by the general meeting of shareholders (members). Such information should be provided along with the documents certifying changes of such persons. The accounting reports (financial statements) of a gambling organizer are subject to annual audit. Federal Law No.198-FZ dated July 23, 2013 "On Amendments to the Federal Law on Physical Education and Sports and Modifications to Certain Legislative Acts of the Russian Federation for Preventing Illicit Influence on Results of Official Sport Events" (hereinafter Federal Law No.198-FZ) and Federal Law No.416-FZ dated December 28,2013 "On Amendments to the Federal Law on Lotteries and to Certain Legislative Acts of the Russian Federation" provide the definitions of the relevant concepts and terms. In particular, "gambling arrangement and operation" is defined as provision of services that involve entering into a prize agreement with participants in games of chance and (or) involve arrangement of such agreement between two or more participants in a game of chance. "Running a lottery" is defined as provision of services that include distribution (sales, accounting for) of lottery tickets, electronic lottery tickets; accounting for lottery receipts; manufacturing of lottery equipment; entering into agreement with lottery ticket producer, agreement with lottery equipment and lottery terminal manufacturer, agreement with lottery tickets distributors and into other agreements required for running a lottery; entering into agreement with lottery participants, including acceptance of bets, drawing of lots for a prize, expert examination of winning lottery tickets, lottery receipts and electronic lottery tickets; and payment, delivery or provision of prizes to lottery winners. Federal Law No.198-FZ also amended the RF Tax Code by deleting the words that the activity "does not constitute sales of goods (property rights), works and services" from the definition of "gambling business.

	Pursuant to the provisions of Federal Law No.54-FZ dated May 22, 2003 "On Use of Cash Registers for Accepting Cash Payments and (or) Payment Cards", when providing gambling services, gambling and lottery organizers are obliged to make and accept payments with the use of cash registers, which creates additional barrier for money laundering schemes.
Recommendation of the MONEYVAL Report	*The role of real estate agents should be examined to ensure that no gaps exist in the AML/CFT system. In particular, the contention that most flows of funds in real estate transactions are routed through the banking sector should be verified, and the level of risk relative to the supervisory activity of Rosfinmonitoring in this area should be considered.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The Russian real estate assume state control and registration of all deals. The activity of real estate agents involves selection offers, consulting and mediation in the process of deal execution and state registration. Payments between parties take place via non-cash transfers. Mortgage lending as an institute is provided by the credit institutions. In Russia, cash settlement between legal persons as well as between a legal person and a natural person conducts entrepreneurship without establishing a legal person (including real estate agents) is strictly regulated in terms of the possible transaction amount (not to exceeding RUB 100,000 under each contract between mentioned persons) and use of cash for a specific purpose (BoR Directive dated 20 June 2007 No. 1843-U). A limit applies to cash amount that may be stored at the cashier desk of a legal person, which is controlled by a credit institution. Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P). This procedure considerably reduces the possibility for a real estate agents to use cash payments. This is confirmed by the number of real estate transaction reports submitted by banks within the framework of mandatory control. For customers of institutions performing as real estate agents, payments via credit institutions are more reliable and minimize the risk of fraudulent schemes (payment using counterfeit money, customer's deceit).
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. In 2010, Rosfinmonitoring has kept fairly high levels of supervising activities with respect to real estate agents. Thus, for the period of 2007 - 1st half of 2011 it were revealed 3273 of such agents, consequently, 935 legal entities and 1168 officials were punished by fines. For four of the most unfair participants of the sector Rosfinmonitoring made a decision on application stricter measures of administrative punishment - administrative suspension of activity.
Measures taken to implement the recommendations since the adoption of the second progress report	In 2012, 447 inspections of real estate agents were conducted with the application of the risk-based approach. These inspections (audits) revealed breaches of the AML/CFT legislation as it pertains to establishment and implementation of internal controls as well as to submission of reports on transactions that are subject to monitoring. Appropriate sanctions were imposed on those who were in breach of the legislation. Sanctions were imposed on 365 executive officers and 268 legal entities. Eleven entities that have repeatedly breached the law were subject to tougher sanctions which involved administrative suspension of activity. Besides that, two executive officers were disqualified. In addition to that, the conducted inspections

	(audits) improved the situation with submission of transaction reports.
Recommendation of the MONEYVAL Report	*The system for supervising the compliance of lawyers and notaries with the AML/CFT Law should be strengthened considerably.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As part of their control and supervision measures, the Lawyers and Notaries Chambers took into consideration AML/CFT issues when conducting their inspections. The Lawyers Chambers conducted 4 672 inspections in 2007 and 9 432 inspections in 2008; the Notaries Chambers conducted 2 161 inspections in 2007 and 3 763 inspections in 2008. The Presidential Decree dated 14 July 2008 No. 1079 "On amendments to the Decree of the Russian Presidential Dated 13 October 2004 No. 1313 "Issues of the Russian Ministry of Justice, to the provision adopted by this Decree and on the invalidation of several acts by the President of the Russian Federation" specifies the powers of Ministry of Justice concerning control and supervision over advocates and notaries as well as performance of their professional duties.
Measures taken to implement the recommendations since the adoption of the first progress report	Chambers of Lawyers and Notaries in conducting inspections take into account issues related to AML /CFT. The Lawyers Chambers conducted 2813 inspections of advocates in 2009. From 2010 an approach to organization of inspection has been changed - now not individual lawyers, but attorneys' associations are inspected as structures responsible for compliance with the laws by lawyers who are the members of such association. Thus, 80 attorneys' associations were inspected in 2010. 1989 inspections were conducted by the Chamber of Notaries in 2009 and 2154 in 2010
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*The current regime for licensing casinos will not change until 30 June 2009 (see section 1). In the meantime Russia should consider how it will implement this change and develop plans to deal with unlicensed gambling. The current and future regime contains no specific provision to prevent criminals or their associates from holding an interest in a casino. This should be addressed.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Concentration of casinos in special gambling zones is mainly necessitated by tougher state control over their activity by all supervisory and controlling bodies: tax authorities, Rosfinmonitoring, law enforcement bodies, and newly created bodies that administer gaming zones and perform licensing and controlling functions. The matter of supervision over the casinos taking into account ML risk assessment after 1 July 2009 (the effective date of special requirements for this business under Federal Law No. 294-FZ) along with a specific action plan was examined by the

	Rosfinmonitoring board devoted to risk-based approaches in conducting supervision. Agreements with the Russian authorities of the four gambling zones will be signed in the near future. In the remaining constituent entities of the Russian Federation, the business of organizing and conducting gambling (including operation of casinos) have been prohibited.
Measures taken to implement the recommendations since the adoption of the first progress report	For January 1, 2011 in the territory of Russia two casinos have been operating, that have become registered in Rosfinmonitoring; an inspection is planned in the near future. Item 2 of Article 6 of the Federal Law as of 29.12.2006 No. 244-FZ on State Regulation of Activities Related to Organization of Gambling and on Amendments to Some Legislative Acts of theration specifies that in the capacity of gambling activities organizers can not be the legal entities, the founders (participants) which are the Russian Federation, subjects to the Russian Federation or local authorities, as well as individuals which have a non-expunged previous conviction for economic crimes or for intentional crimes of medium gravity, grave crimes or especially grave crimes.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*The Assay Chamber should have more specialist AML/CFT staff in order to better perform its functions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	There are ready amendments to the AML/CFT Law, which specifies the list of jewellery and precious metals business operators obliged to take AML/CFT measures. The range of operators subject to the Law will be limited to trading businesses dealing in precious metals and stones. Museums, dentistry clinics, and the like will be excluded from the range of organisations subject to the AML/CFT Law. This will give the Assay Chamber more opportunities to use its human resources more effectively.
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law as of 23.07.2010 No. 176-FZ empowers the Russian Assay Chamber to consider cases on administrative offences of legislation in the sphere of CML / FT. Thus, since January 2011 the Assay Chamber has sufficient authority to bring legal influence. Moreover, at the present time the Russian Finance Ministry has prepared Draft Decree of the President of the Russian Federation on Foundation of the Federal Service for Control of the Circulation of Precious Metals and Stones, and Draft Resolution of the

	Government of the Russian Federation on the Federal Service for Control of the Circulation of precious metals and stones. These measures are aimed at improvement of state control in the indicated sector. Draft Regulation on the specified service clearly establishes the powers of the supervisory authority for supervision over agents during transactions of precious metals and stones, in compliance with AML / CFT.
Measures taken to implement the recommendations since the adoption of the second progress report	As mentioned above, 25 218 entities that were subject to monitoring by Roasfinmonitoting were registered with the RF Assay Chamber as of 2012. As of February 2013, the Assay Chamber' staff included 189 inspectors in the local inspectorates and 30 inspectors in the Headquarters. Eighty five (85) inspectors are directly involved in financial monitoring activities. These include personnel who conducts ongoing monitoring at the precious metal refineries and inspectors engaged by prosecutorial authorities in inspections of retail networks. It should be noted that pursuant to the Regulation on AML/FT Education and Training of Personnel of Institutions Engaged in Transactions with Funds or other Assets adopted by Rosfinmonitoring Order No.203 of August 3, 2010 the executive officers of the RF Assay Chamber conduct targeted briefing (training) of the staff members of the Russian Assay Chamber and also brief personnel on financial monitoring issues (clarify issues pertaining to financial monitoring). In November 2012, three specialists were added to the staff of the Assay Chamber Headquarters whose functions include, among other thing, studying and analyzing international experience of supervision of trade in gold and precious metals and financial monitoring. They also prepare analytical materials concerning the best international practice of government supervision and monitoring in these areas.
Recommendation of the MONEYVAL Report	*Russian should consider the proposal by the Assay Chamber to give supervisory bodies greater access to the contents of STRs to enable them to guide supervisory actions better.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Upon accepting and analyzing STRs, Rosfinmonitoring, if necessary, informs the Russian Assay Chamber about the need to inspect institutions named in the STRs or institutions engaged in high-risk transactions.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. Rosfinmonitoring examined the proposal of the Assay Chamber that asks for "supervisors to be given greater access to the content of STR to better direct supervisory activities." However, the AML/CFT Law contains a direct prohibition concerning disclosure of information by employees of the authorized body in the execution of the relevant law that is contained in the STRs. Information based on the STRs may be transferred only to law enforcement agencies when there is sufficient grounds to believe that an operation or transaction is connected ML/FT. In this connection, in order to coordinate the activity of the supervisory agencies,

	Rosfinmonitoring, on permanent basis sends information in respect of the supervised organizations which have shortcomings in internal control system or avoid fulfilling the AML / CFT legislation or carrying out suspicious transactions which may be conducted for the ML / FT purposes. In addition, stats on compliance with the AML / CFT legislation, both as a whole and in the context of each supervised organization, are sent to supervisory authorities on a regular basis. Information from Rosfinmonitoring on trends and risks identified in various sectors during monitoring of information from database is an additional informational source for coordination of supervision.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*Russia should take further steps to strengthen the AML/CFT supervisory regime for accountants.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In order to strengthen the AML/CFT supervisory regime for accountants and audit firms the following measures have been taken: 1) On 11 February 2009 the Russian Ministry of Finance adopted a Standard Program for checking AML/CFT compliance by an audit firm (individual auditor). The Standard Program is published on the official Ministry of Finance website and submitted to professional audit associations for implementation; 2) Professional audit associations that conduct external control of the quality of work of audit firms and auditors received a letter from the Ministry of Finance's Department for the Regulation of State Financial Control, Audit Practice, Accounting and Reporting dated 31 March 2009, which underlines the need to take the appropriate AML/CFT measures; 3) Changes have been made to the form of the annual activity reports of professional audit associations, which aimed at collection and summarising of information on control measures in AML/CFT taken by such institutions and measures taken by them based on the findings of such control; 4) A specialized training centre accredited with Rosfinmonitoring conducted professional training for Ministry of Finance specialists who supervise auditors, in matters of AML/CFT control.
Measures taken to implement the recommendations since the adoption	With the purpose of clarification of issues on implementation of the AML/CFT legislation, training activities for notaries and auditors, with participation of representatives of supervisory authorities (MoF) and the Rosfinmonitoring, are

of the first progress report	conducted on a regular basis. In addition, the Russian Ministry of Finance with the participation of Rosfinmonitoring elaborated a Draft of the Federal Law on Amendments to Some Legislative Acts of the Russian Federation aimed at strengthening of the AML/CFT system in the indicated sector. Responsibilities of auditors in accordance with the AML/CFT Law are clarifying that will allow improving the efficiency of their work in general.
Measures taken to implement the recommendations since the adoption of the second progress report	Inspections (audits) of compliance by auditing organizations and auditors with the requirements of AML/CFT Law No.115-FZ are conducted by the auditor self-regulatory organizations a part of the external auditing quality monitoring efforts. 400 inspections (audits) were conducted in 2009; 1226 inspections (audits) were carried out in 2010; 1453 inspections (audits) were performed in 2011; 831 inspections (audits) were conducted in 2012; and 937 inspections (audits) were carried out in 2013. The following measures have been taken for reinforcing the AML/CFT regime for auditors: a) Order No.615 issued by the Federal Statistics Service on November 23, 2012 adopted the standard annual federal statistical survey form (template) No.3-Audit "Information on Activities of Auditor Self-Regulatory Organizations", which includes, among other things, information on AML/CFT activities carried out by the auditor self-regulatory organizations. This information is provided by the auditor self-regulatory organizations to the RF Ministry of Finance which analyzes, summarizes and posts these data on its official website. b) Inspectors of the auditor self-regulatory organizations, who are directly involved in external inspections of quality of operation (activities) of auditing organizations and individual auditors as it pertains to compliance with AML/CFT requirements, regularly undergo professional development training. 370 inspectors received professional development training in 2011; 343 inspectors underwent professional development training in 2012; and professional development training was provided to 325 inspectors in 2013. c) The auditor self-regulatory organizations adopted the standard programs of inspection of quality of operation of auditing organizations and individual auditors, which include, among other things, issues regarding compliance with the AML/CFT requirements; d) The auditor self-regulatory organizations adopted the AML/CFT professional development training programs for auditors. The AML/CFT professional development training was provided at the training and methodological centers to: 1 961 auditors in 2009; 10 089 auditors in 2010; 2 453 auditors in 2011; 835 auditors in 2012; and 585 auditors in 2013.
(Other) changes since the second progress report (e.g. draft laws, draft regulations	

or draft "other enforceable means" and other relevant initiatives	

Recommendation 25 (Guidelines & feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should implement the requirement to issue guidance to FIs, beyond the explanation of the law.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In order to comply with the requirement to issue guidance, besides explanations of the law the Ministry of Finance have taken the following measures 1) issued an information letter of Ministry of Finance Department for the Regulation of State Financial Control, Audit Practice, Accounting and Reporting dated 13 April 2009 on organization by audit firms and individual auditors of work to comply with the requirements of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism". This letter has been published on the Ministry of Finance official website, in the official press publication of the Ministry of Finance - the *Financial Gazette*, as well as submitted to professional audit associations; 2) The Audit Practice Council at the Ministry of Finance has approved methodological recommendations on checking compliance with AML/CFT laws and regulations; 3) Professional audit associations received a letter from the Department for the Regulation of State Financial Control, Audit Practice, Accounting and Reporting dated 31 March 2009, which pays attention to the need to place the relevant information on official websites and update such information; 4) With its 10 March 2009 Order the Ministry of Finance approved a professional development program for auditors entitled "Combating corruption in the course of audit practice". Besides, FSFM Order dated 3 June 2002 No. 613/r "On methodological recommendations for professional participants in the securities market implementing the requirements of AML/CFT Law the FSFM is currently developing methodological materials on AML/CFT. The BoR is implementing measures on the permanent basis to improve AML internal control rules programs at credit institutions and their practical implementation. Since September 2007 the BoR issued a number of letters addressed to credit institutions, containing recommendations to control transactions via credit institutions with the

	potential purpose of laundering money or terrorist financing. BoR Letter dated 27 April 2007 No. 60-T "On the special features of the service by credit organisations of clients with the use of the technology of distance access to the bank account of a client (including Internet banking"; BoR Letter dated 28 September 2007 No. 155-T "On invalid passports"; BoR Letter dated 30 October 2007 No. 170-T "On the Specifics of providing banking services to non-resident legal persons that are not Russian taxpayers"; BoR Letter dated 2 November 2007 No. 173-T "On the recommendations of the Basel Committee for Banking Supervision"; BoR Letter dated 26 November 2007 No. 183-T "On invalid passports"; BoR Letter dated 18 January 2008 No. 8-T "On the application of item 1.3 of Article 7 of the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism"; BoR Letter dated 13 January 2008 No. 24-T "On raising the effectiveness of preventing suspicious transactions"; BoR Letter dated 4 July 2008 No. 80-T "On strengthening control over individual transactions in promissory notes by natural and legal persons"; BoR Letter dated 3 September 2008 No. 111-T "On raising the effectiveness of preventing suspicious transactions by customers of credit institutions"; BoR Letter dated 23 January 2009 No. 8-T "Supplementing BoR Letter dated 1 November 2008 No. 137-T"; BoR Letter dated 10 February 2009 No. 20-T "On relations with financial institutions of the USA"; BoR Letter dated 27 February 2009 No. 31-T "On information published on the Rosfinmonitoring website"; BoR Letter dated 01 November 2008 No.137-T "On raising the effectiveness of preventing suspicious transactions" Rosfinmonitoring prepared the aforementioned Information Letter No. 2 and Order No. 103 dated 8 May 2009.
Measures taken to implement the recommendations since the adoption of the first progress report	Feedback from organizations is carried out by several means, including improvement of the regulatory framework in sphere of CML / FT (Government Order as of 10.06.2010 No. 967-p includes recommendations on elaboration of the rules related to internal control, the Order of Rosfinmonitoring as of October 5, 2009 No. 245 approves an instruction on submission of the information envisaged by the AML/CFT Law to the Rosfinmonitoring, Order of 03.08.2010 No. 203 establishes requirements for preparation and training of organization staff for the AML/CFT purposes, Order of 11 August 2010 No. 213 provides guidance on the information included in report made by an officer about an operation (transaction), which is subject to mandatory control, or unusual operation (transaction), Order as of May 8, 2009 No.103 provides guidance for organizations on development of unusual transactions indicators identification and determination criteria, the Order as of 17.02.2010 No. 59 establishes requirements for identification of clients and beneficiaries with taking into account the risk of ML / FT). At the same time, Rosfinmonitoring issued informative letters explaining the AML/CFT requirements (No. 1 as of 08.08.2008, No. 2 as of 18.03.2009, No. 3 as of 11.08.2009, No. 7 as of 21.09.2010, w/n of 26.03.2010, No. 8 of 13.01.2011, No. 9 of 26.01.2011). In addition, Roscomnadzor sent to all territorial branches the "Guidelines on Qualification of actions (or inaction) in accordance with the relevant parts of Article 15.27 of the Administrative Offences Code of the Russian Federation (Part 1 - 4), on imposition of an administrative penalty, as well as enforcement of provisions of Article 1.7 of the Administrative Offences Code" (letter of 11.03.2011 No. KA-

	04457). The FSFM has issued and published for professional participants of the securities market participants a newsletter as of 10.02.2010 "On measures to prevent the use of capital market instruments in money laundering schemes." The Bank of Russia continued on a permanent basis to carry out actions aimed at improving of internal "AML" control programs of credit organizations and practices for their implementation through issue the letters addressed to credit organizations with recommendations for the control of the operations which are conducted through credit organizations, probably with the purpose of legalization (laundering) of funds obtained by criminal means and terrorist financing (a letter from the Bank of Russia of 27.02.2009 No. 31-T "On the information posted on the website of Rosfinmonitoring", letter by the Bank of Russia of 11.06.2010 No. 83-T, a letter by the Bank of Russia of 28.04.2010 No. 61-T "On the information posted on the official website of the Association of Russian Banks," a letter by the Bank of Russia of 16.09.2010 No. 129-T "On reinforcement of monitoring activities for certain transactions of legal entities," a letter by the Bank of Russia of 17.02.2011 No. 19-T "On the information posted on the website of Rosfinmonitoring"), a letter by the Bank of Russia of 09.03.2011 No. 32-T "On informative letter of Rosfinmonitoring of 26.01.2011 No. 9 "and a letter by the Bank of Russia as of 12.05.2011 No. 70-T. The Federal Law as of 27.06.2011 No. 162-FZ on Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law On the National Payment System, which introduces amendments to the AML/CFT Law and will enter into force in 29.09.2011, is entitled the Russian Government and the Bank of Russia with additional authority to establish requirements on elaboration of internal control rules by organizations carrying out operations with monetary funds or other property.
Measures taken to implement the recommendations since the adoption of the second progress report	In 2012, Rosfinmonitoring issued and circulated Informative Letters No.19 dated 24.08.2012, No.20 dated 03.09.2012, No.21 dated 20.11.2012 and No.22 dated 18.12.2012 that clarified the requirements set forth in the AML/CFT legislation. Besides that, the list of criteria and indicators of unusual transactions was updated which resulted in significant extension of the list of suspicious transactions potentially related to money laundering and terrorist financing. A special page entitled "Rosfinmonitoring's Documents" was created on the official website of the RF Assay Chamber for raising awareness of and providing more information to the entities registered by the Assay Chamber about ways and methods of identifying suspicious transactions potentially related to ML/FT. In December 2011, the Public Expert Council was established under the Russian Assay Chamber for facilitating ongoing interaction and coordination between the associations of manufacturers of jewelry and other accessories, jewelry importers, precious metal refineries and retailers, on one hand, and the federal executive agencies that develop and pursue the government policy in this sector and monitor and supervise production, processing, use and sales of precious metals and precious stones, on the other hand. Consumer associations, experts and representatives of business community actively participate in the Council meetings to discuss the issues pertaining to government regulation of circulation of and trade in precious metals and precious stones.

	The Council serves as the forum for pursuing, among other things, the following objectives: 1) development of coordinated proposals aimed at further improvement of government regulation in this sector and analysis and review of draft laws and regulations pertaining to production, use and trade in precious metals and precious stones. 2) analysis and preparation of proposals for improvement of the regulatory framework covering production, use and trade in precious metals and precious stones. 3) preparation of proposals for development of concept papers, strategies and other policy documents highlighting trends and prospects of further evolution of the Russian precious metals and stones production, use and trade sector. 4) development of proposals on harmonizing the law enforcement practice in the precious metals and stones production, use and trade sector. 5) identification of the sector's need in further optimization of the policies and practices of the government authorities in charge of supervision and monitoring of production, use and trade in precious metals and precious stones. The relevant committees (working groups) are established within the Council to address the specific issues related to operation of the sector and particular areas of government oversight. The Council operates on ongoing basis. In 2012, a number of the Council meetings were held by the Russian Assay Chamber jointly with the RF Ministry of Finance. Besides that, the meetings of the working groups and committees are regularly held in form of consultations and round tables. The AML/CFT related issues are repeatedly raised and discussed at the meetings of the working groups. The Bank of Russia continued to closely interact with credit institutions for ensuring further improvement of efficiency of internal AML controls and their implementation by credit institutions. For this purpose, over 70 Letters containing recommendations on identifying transactions potentially related to ML/FT carried out through credit institutions have been issued by the Bank of Russia (e.g. BoR Letter No.19-T dated 17.02.2011 on Information Posted on Rosfinmonitoring Website; BoR Letter No.32-T dated 09.03.2011 on Informative Letter No.9 of 26.01.2011 Issued by the Federal Financial Monitoring Service; BoR Letter No.70-T dated 12.05.2011). In 2012, the Bank of Russia issued BoR Letter No.90-T dated June 28, 2012 on Information Posted on the Federal Tax Service (FTS) Website, BoR Letter No.157-T dated November 16, 2012 on Exercising by Authorized Banks Control of Foreign Exchange Transactions related to Payment for Goods Moved across the Customs Union Territory, BoR Letter No.167-T dated December 7, 2012 on Special Attention to be Paid by Credit Institutions to Certain Customer Transactions, and BoR Letter No.176-T dated December 21, 2012 on FTS Information on Legal Entities that have been or are being Liquidated). In addition to that, the Bank of Russia issued 21 Informative Letters clarifying the requirements of the AML/CFT legislation that were disseminated to the BoR local offices for further circulation to the supervised credit institutions. Federal Law No.162-FZ dated 27.06.2011 "On Amendments to Certain Legislative Acts of the Russian Federation following Adoption of the RF Law on the National

	Payment System" empowered the Bank of Russia to establish requirements for development of internal control rules by credit institutions in coordination with the designated AML/CFT authority. Exercising these powers vested in it, the Bank of Russia issued, in coordination with Rosfinmonitoring, BoR Regulation No.375-P dated 02.03.2012 on Requirements for AML/CFT Internal Control Rules of Credit Institutions. Implementing the powers vested in it by the current legislation, the Bank of Russia issued the following regulations. Clause 1.9 of Article 7 of the AML/CFT Law authorizes the Bank of Russia to establish the timelines for provision by a credit institution, federal postal service institution and bank payment agent of information obtained in course of identification at the request of other credit institution for transferring funds. including e-money, without opening a bank account. Within the framework of these powers, the Bank of Russia issued BoR Directive No.2696 dated 14.09.2011 on Establishing Timelines of Provision of Information Obtained in Course of Identification. Clause 2 of Article 7 of the AML/CFT Law empowers the Bank of Russia to establish requirements for development by credit institutions of internal control rules instead of the authority that has been previously vested in the Bank of Russia to develop just methodological guidelines. Implementing these powers, the Bank of Russia issued Regulation No.375-P that sets forth the basic principles of establishing effective AML/CFT system by credit institutions, identified requirements for AML/CFT internal controls and specified the contents of programs that should be included in the AML/CFT internal control rules of credit institutions. Article 7, Clause 1, Par.5 and Clause 7 of the AML/CFT Law empowers the Bank of Russia to establish requirements for the format (template) to be used by a credit institutions for providing information, in electronic form, on customer transactions, customer beneficial owners and customer account (deposit) activity at the request of the designated AML/CFT authority and also to establish procedure of provision by credit institutions of information, in electronic form, on customer account (deposit) activity at the request of the designated AML/CFT authority. Exercising these powers, the Bank of Russia issued Regulation No.407-P dated 02.09.2013 "On Provision by Credit Institutions of Information, in Electronic Form, on Customer Account (Deposit) Activity". Pursuant to Article 7, Clause 1, Par.6-7 of the AML/CFT Law the Bank of Russia is authorized to establish procedure of reporting by credit institutions to the designated AML/CFT authority on measures taken by them to freeze funds or other assets of legal entities and individuals included in the list of persons known to be linked to extremist activity or terrorism, and of legal entities and individuals that/who are reasonably suspected of being linked to terrorist activity (including terrorist financing) (if there are no grounds for their inclusion in the aforementioned list but a freezing decision is made by the interdepartmental CFT coordination authority) and on the results of identification of customers that have been or should be subject to freezing measures. Implementing these powers vested in it, the Bank of Russia issued Directive No.3063-U dated 19.09.2013 "On Procedure of Reporting by Credit Institutions to the Designated AML/CFT Authority on Measures Taken to Freeze Funds or Other Assets of Legal Entities and Individuals and on Identification of Individual and Corporate Customers who/that have been or should be Subject to Freezing Measures".

	Article 7, Clause 13 of the AML/CFT Law empowers the Bank of Russia to establish procedure of reporting by credit institutions to the designated AML/CFT authority on all instances when they refuse, on the grounds specified in the AML/CFT Law, to enter into bank account (deposit) agreement with customers and (or) refuse to execute customer's instruction to carry out a transaction and on instances of termination of customer agreements. In exercising these powers, the Bank of Russia issued Directive No.3014 dated 23.08.2013 "On Procedure of Reporting by Credit Institutions to the Designated AML/CFT Authority on Refusal to Enter into Bank Account (Deposit) Agreement with Customers and (or) on Refusal to Execute Customer's Instruction to carry out a Transaction and on Termination of Customer Agreements by Credit Institutions". Besides that, the Bank of Russia proceeded with its ongoing efforts aimed at improvement and enhancement of the internal AML/CFT controls and their implementation by credit institutions by circulating letters to credit institutions with recommendations and guidelines on identification of transactions potentially related to ML/FT. (These include BoR Letter No.32-T dated 28.02.2013 "On Information Published by the Federal Tax Service on Legal Entities that cannot be Contacted (are not Located) at the Addresses (Locations) Indicated in the Unified Register of Legal Entities"; BoR Letter No.73-T dated 17.04.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions"; BoR Latter No.104-T dated 10.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions"; BoR Letter No.110-T dated 19.06.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions"; BoR Letter No.150-T dated 07.08.2013 "On Special Attention to be Paid by Credit Institutions to Certain Customer Transactions"; BoR Letter No.193-T dated 30.09.2013 "On Mitigating the Risk of Loss of Business Reputation by Authorized Banks and their Involvement in ML/FT)". In 2011-2014, Roscomnadzor undertook a number of measures aimed at prevention of frequent breaches by Post of Russia of the requirements set forth in AML/CFT Law No.115-FZ and at enhancing responsibility of the relevant executive officers and employees. For example, Roscomnadzor has drawn up, in coordination and consultations with Rosfinmonitoring, answers to the "typical questions" related to practical application of the AML/CFT legislation. The coordinated (agreed) position on these issues was communicated by Roscomnadzor to its local offices and to Post of Russia to avoid confusion and misunderstanding in course of future inspections and audits. Rosfinmonitoring conducts semi-annual supervision effectiveness assessments against the consolidated indicators of effectiveness of supervision over compliance by non-credit institutions with the requirements of the AML/CFT legislation. (These consolidated performance indicators were developed by Rosfinmonitoring jointly with the supervisory agencies and approved by joint Letter No.01-01-26/2098/11-DP-04/19675/SS-16260/ 40002/1099 dated 29.07.2011 issued by Rosfinmonitoring, Federal Financial Markets Service, Roscomnadzor and RF Assay Chamber).
(Other) changes since the second progress report (e.g. draft laws,	Under the cooperation agreement between Rosfinmonitoring and RF Assay Chamber, these two agencies regularly exchange and share AML/CFT-related information, including statistics on compliance by all and each of the supervised entity with the AML/CFT legislation. In exceptional situations involving gross breaches,

draft regulations or draft "other enforceable means" and other relevant initiatives	Rosfinmonitoring directly notifies the relevant entity or individual entrepreneur on committed breaches. In addition to that, the RF Assay Camber receives information on breaches of the AML/CFT legislation in course of inspections (audits) conducted by it jointly with the prosecutorial authorities and law enforcement agencies. Besides that, Rosfinmonitoring provides all necessary information requested by the Assay Chamber for issuing impartial resolutions under the administrative proceedings instituted for commission of offences covered by Article 15.27 of the RF Code of Administrative Offences. Thus, the AML/CFT information exchange procedures and channels are properly established and utilized on a regular basis. In accordance with the cooperation agreement between Rosfinmonitoring and Roscomnadzor dated 31.08.2010 in order to coordinate a common approach towards administrative proceedings with consideration for the current judicial and other practice related to application of new provisions of the AML/CFT Law dated 07.08.2001, Roscomnadzor circulated Letter No.07PA-31743 dated 07.11.2013 to its local offices. Attached to this Letter were the following documents intended for practical application: 1) Recommendations on qualifying actions (inactions) covered by the respective clauses of Article 15.27 of the RF Code of Administrative Offences and on imposition of administrative penalties (sanctions) with due consideration for the opinion (position) of Rosfinmonitoring; 2) Court rulings and the opinion (position) of Rosfinmonitoring with respect to questions that arise in course of enforcement of the Law by the relevant enforcement authorities. The aforementioned recommendations and judicial practice (court rulings) are not just of significant importance for ensuring common approach to imposing liability on relative entities and individuals under the RF Code of Administrative Offences, but also reinforce the principle of unavoidability of punishment for administrative offences. The recommendations and court rulings also provide information on the contents of court documents and details of court proceedings and give examples on how the provisions of the law are construed and enforced in practice. In 2014, Roscomnadzor developed a new Methodological Guidance on Government Supervision of Compliance by the Federal Postal Service Institutions with the AML/CFT Legislation and circulated it to its local offices for practical application.

Recommendation 29 (Supervisors)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should amend the BoR Law to elevate the maximum amount for fines against credit institutions substantively and to ensure that the BoR has the competence to impose adequate fines on directors and senior management of banks for violation of AML/CFT requirements.*
Measures reported	The possibility of practical implementation of this requirement is currently being

as of 23 September 2009 to implement the Recommendation of the report	examined as part of work on the Federal draft law "On Amendments to Individual Legislative Acts of the Russian Federation in the Sphere of Anti Money Laundering and Combating the Financing of Terrorism".
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law of 23.07.2010 No. 176-FZ strengthens the administrative responsibility for non-fulfillment by an organization, carrying out operations with monetary funds or other property, laws on counteraction for legalization (laundering) of funds obtained from criminal activities and terrorist financing that implies a warning or an administrative fine on officials of ten thousand to fifty thousand rubles or disqualification for up to three years; and on legal entities - from fifty thousand to one million rubles or administrative suspension of activity for up to ninety days. It means that an administrative responsibility for officials becomes tougher, not only the sum of fine is increased in respect of them, but also a disqualification is introduced. At the same time this Law provides an addition to Article 15.27 of the Administrative Offences Code; this is a new provision that establishes administrative liability for non-fulfillment by an organization, carrying out operations with monetary funds or other property, laws on counteraction to legalization (laundering) of funds obtained from criminal activities and terrorist financing, if such non-fulfillment entailed legalization (laundering) of funds obtained from criminal activities and terrorist financing established by a valid court sentence. These changes cover all possible types of the AML/CFT legislation violations - both in terms related to organization and realization of internal control for AML/CFT purposes, including realization of internal control programs and procedures, identification requirements for persons in service, beneficiaries, documentary record and providing information to an authorized body, keeping of documents and information, as well as training of personnel. In accordance with the Federal Law No. 176-FZ all supervisory bodies, including the Bank of Russia, are authorized to consider cases on administrative offences under Part 1-4 art.15.27 of the Administrative Code and to impose administrative sanctions for violations.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information on Recommendation 23.
Recommendation of the MONEYVAL Report	*Russia should amend the BoR Law to ensure that a licence of a CI can be revoked when the owners are convicted of a relevant criminal or economic offence and to ensure that a licence of a CI can also be revoked for not filing STRs with the FIU. Russia should also ensure that the licence of a CI can be revoked not only if repeated violations occur during one year and thus, amend the BoR Law accordingly.*
Measures reported	Implementing this recommendation in the proposed context seems to be inexpedient.

as of 23 September 2009 to implement the Recommendation of the report	Revoking a license in cases when the bank owners have been convicted of criminal or economic offences does not have a direct relation to a credit institution's activity in the banking services market. If such changes are adopted, this may lead to situation when even major banks may face revocation of their licenses. License revocation as a sanction is applied to a credit institution as a legal person. At the same time credit institution may not be responsible for criminal or economic offences committed by the founders, since the requirements for their business reputation are not established by law. Please note that in relation to this recommendation the Russian delegation to FATF, MONEYVAL and EAG Plenaries recorded a position according to which this recommendation may not be accepted for implementation, since it is not based on the FATF evaluation methodology and its implementation could cause adverse social consequences. Concerning the BoR efforts on prevention of criminals to management of credit institutions, see comments to Recommendation 23.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. The Bank of Russia, in accordance with Article 74 of the Federal Law of 10.07.2002 No. 86-FZ on the Central Bank of the Russian Federation (the Bank of Russia), is entitled to withdraw a license to carry out banking transactions from a credit organization on the grounds provided by the Federal Law on Banks and Banking. The list of such grounds specified in Article 20 of the Federal Law on Banks and Banking, which does not limit the possibility to revoke a license only for repeated violation of the AML/CFT Law within one year. The Bank of Russia also has the right to revoke a license, in particular, in case of finding the facts related to substantial misreporting of data, delays in reporting and non-compliance with other Federal Laws, not only with the AML/CFT Law (in total, approximately two dozen grounds).
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information on Recommendation 23. The draft Federal Law No.384731-6 “On Amendments to Certain Legislative Acts of the Russian Federation” was submitted currently to the State Duma of the RF Federal Assembly. It extends the powers vested in the Bank of Russia to revoke banking licenses granted to credit institutions. It also limits the grounds for imposition of administrative liability on credit institutions under Article 15.27 of the RF Code of Administrative Offences with the purpose of more extended application of measures (sanctions) provided for in Article 74 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia).
Recommendation of the MONEYVAL Report	*Russia should abolish the limitation of the BoR to conduct on-site inspections in article 73 item 5 BoR Law, as already recommended in the MONEYVAL Second Round Report.*
Measures reported as of 23 September 2009 to implement the	Federal Law dated 28 April 2009 No. 60-FZ amended Article 1 of the Federal Law dated 26 December 2008 No. 294-FZ “On the protection of rights of legal entities and individual entrepreneurs during state control (supervision) and municipal control", which eliminated limitations on the frequency and procedure for organizing and

Recommendation of the report	conducting inspections as part of measures to control compliance with AML/CFT legislation. This norm covers all AML/CFT supervisory bodies.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see the information provided above.
Recommendation of the MONEYVAL Report	*Russia should in addition amend the relevant laws to ensure that a licence can be revoked for violation of AML/CFT requirements also in the non-banking and non-securities sectors, and when the owners are convicted of a relevant criminal or economic offence (concerns the FSFM, the FISS, Roscomnadzor and Rosfinmonitoring).*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The FSFM has elaborated the Federal draft law "On Amendments to the Federal Law 'On the Securities Market' and other legislative acts of the Russian Federation" (in terms of prudential supervision of professional participants in the securities market and procedure of paying compensation to natural persons in the securities market), which includes provisions on preventing criminals from becoming major shareholders in professional participants of the securities market. If such provisions are violated, the FSFM will be entitled to revoke the relevant license. Articles 32.3, 32.4, 32.6, 32.8 of the RF Law dated 27 November 1992 No. 4015-1 "On the organization of insurance business in the Russian Federation" and item 5.2 of the Provision on the Federal Insurance Supervision Service adopted by Russian Government Decree dated 30 June 2004 No. 330, empowers the FISS to impose sanctions on insurance market operators - up to revoking their license, including the violations of Russian AML/CFT legislation. The FISS has submitted proposals to amend Federal Law dated 27 November 1992 No. 4015-1 "On the organization of insurance business in the Russian Federation" to the Financial Markets and Money Circulation Committee at the Council of Federation of the Federal Assembly. The proposals concern establishing a prohibition for a person convicted for an economic crime to own and manage financial insurance institution.

Measures taken to implement the recommendations since the adoption of the first progress report	On 08.02.2011 State Duma of the Russian Federation in its first reading passed a draft law on Amending the Federal Law on Securities Market, as well as other legislative acts of the Russian Federation (regarding creation a system for prudential supervision of risks on securities market professional participants), that includes provisions on prevention of criminals from becoming securities market professional participants major shareholders, namely: a person cannot own (exercise management) 5 or more percent of ordinary shares (stakes) of a securities market professional participant if such person has been convicted for crimes in the sphere of economic activity or crimes against state authority. Moreover, this draft law provides that a person who has been convicted in crimes related to economic activity or crimes against state authority can not be the board of directors member (supervisory board member), a member of the securities market professional participant collegial executive body, as well as such person is not able to perform functions of a sole executive body and to be the head of the securities market professional participant branch (except for credit organizations exercising activity of a securities market professional participant), or a supervisor (the head of the internal control service), or a risks manager, or the head of credit organization structural unit established for exercising activity of a securities market professional participant, or the head of a securities market professional participant separate structural unit in case of holding by the specified professional participant of professional activities in the securities market. In case of violations of these provisions the FSFM will be entitled to revoke the relevant license. In accordance with Article 2 of the Federal Law as of 17.07.1999 No. 176-FZ on Postal Service, organizations of the federal postal service are the organization of postal services, which are state unitary enterprises and state institutions established on the basis of property in federal ownership (i.e. Federal State Unitary Enterprise "Russian Post" is state-owned).
Measures taken to implement the recommendations since the adoption of the second progress report	2012 significant increase in number of administrative fines imposed on the federal postal service institutions. These sanctions were imposed both against executive officers and legal entities. 128 administrative offence reports and 135 decisions (resolutions) related to administrative offences were issued for failure to comply with the AML/CFT legislation. Post of Russia was held liable under Article 15.27 of the RF Code of Administrative Offences, and administrative fines were imposed on and warnings were issued to 119 executive officers under the same Article. Administrative fines imposed in 2012 amounted to 1 million 611 thousand rubles, of which fines amounting to 751 thousand rubles were imposed on executive officers and fines amounting to 860 thousand rubles were imposed on legal entity (all administrative fines imposed in 2010 amounted to 665 thousand rubles). According to Article 13 of the AML/CFT Law breach by the licensed institutions engaged in transactions with funds or other assets of the requirements set forth in Articles 6 and 7 of this Law (except for clause 3 of Article 7) may entail revocation (cancellation) of a license in a manner established by the RF legislation. Article 17 of Law No.176-FZ provides that postal communication service operators

	provide postal services under licenses obtained by them in compliance with Federal Law No.126-FZ dated 07.07.2003 on Communications. The aforementioned licenses are issued by Roscomnadzor which is empowered to grant such licenses (RF Government Resolution No.228 dated 16.03.2009). As it appears from the List of Postal Service Licensing Terms and Conditions (adopted by RF Government Resolution No.87 dated 18.02.2005), only federal postal service institutions can obtain postal remittance licenses. In accordance with Article 37 of Federal Law No.37-FZ the licensing authority (Roscomnadzor) is empowered to suspend licenses and, in a situation where the circumstances that have triggered license suspension are not cured within the established time period, Roscomnadzor is authorized to cancel a license through the court (Article 39, Clause 1 of Federal Law No.39-FZ). The exhaustive list of the grounds for cancelling a postal service operator license is provided in Federal Law No.126-FZ.
Recommendation of the MONEYVAL Report	*Russia should – as a matter of urgency (i) amend the relevant laws to ensure that the FSFM, the FISS and ROSCOMNADZOR have the power to impose fines on their FIs and on directors and senior management of their FIs for violation of AML/CFT requirements and to replace directors and senior management of their FIs for violation of AML/CFT requirements, (ii) abolish the limitation of the FISS to compel and obtain access to banking secrecy information and (iii) increase the staff for the FSFM, the FISS and ROSCOMNADZOR to ensure that the system for sanctioning financial institutions works effectively.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	1. The Federal draft law has been elaborated, which empowers the FSFM,FISS, Roscomnadzor to examine administrative offence cases stipulated in Article 15.27 of the RF Code of Administrative Offences "Failure to fulfil the AML/CFT legislation requirements". 2. The FSFM has elaborated the Federal draft law "On Amendments to the Federal Law 'On the Securities Market' and other legislative acts of the Russian Federation" (in terms of prudential supervision of professional participants in the securities market and procedure of paying compensation to natural persons in the securities market), which empowers the FSFM to demand professional participant of the securities market replace its management, namely: "The federal executive authority for the securities market may – upon the market participant's failure to eliminate violations detected in its operation in its activity – demand replacement of the sole executive body of the professional participant of the securities market (with the exception of credit institutions), the director of the branch of a professional participant of the securities market, the director of the relevant structural division in an institution acting as a professional participant of the securities market". The same draft law directly stipulates the FSFM's right to request from the state authorities and professional participants of the securities market the information on the business reputation, including information on the absence of prior convictions of its founders, request credit institutions with which professional participants of the securities market have opened accounts, and information on transactions made via the said accounts.

	3. Rosfinmonitoring and other supervisory bodies (FSFM, Roscomnadzor and FISS) have analyzed their needs for additional staff in charge of the AML/CFT issues and submitted proposals to the Russian Government. By the Russian Government Resolution dated 5 December 2008 No. 914 “On amendments to Russian Government resolutions dated 8 April 2004 N. 203 and 30 June 2004 No. 330", the maximum number of employees of the FISS territorial bodies has been increased from 119 to 160 (effective since 1 January 2009).
Measures taken to implement the recommendations since the adoption of the first progress report	On 08.02.2011 State Duma of the Russian Federation in its first reading passed a draft law on Amending the Federal Law on Securities Market, as well as other legislative acts of the Russian Federation (regarding creation a system of prudential supervision on securities market professional participants risks), that includes provisions on prevention the criminals from becoming major shareholders of securities market professional participants, namely: a person cannot own (exercise management) 5 or more percent of securities market professional participant ordinary shares (stakes) if such person has been convicted for crimes in the sphere of economic activity or crimes against state authority. Moreover, this draft law provides that a person who has been convicted for crimes in the sphere of economic activity or crimes against state authority can not be a member of the board of directors (supervisory board), a member of securities market professional participant collegial executive body, as well as such person is not able to perform functions of a sole executive body and to be the head of securities market professional participant branch (except for credit organizations exercising activity of a securities market professional participant), or a supervisor (the head of the internal control service), or a risks manager, or the head of credit organization structural unit established for exercising activity of a securities market professional participant, or the head of securities market professional participant separate structural unit in case of holding by the specified professional participant of professional activities in the securities market. In case of violations of these provisions the FSFM will be entitled to cancel the relevant license. The Federal Law as of 23.07.2010 No. 176-FZ strengthens administrative responsibility for non-fulfillment by an organization, carrying out operations with monetary funds or other property, of laws on counteraction to legalization (laundering) of funds obtained from criminal activities and terrorist financing, that implies a warning or an administrative fine on officials of ten thousand to fifty thousand rubles or disqualification for up to three years; and on legal entities - from fifty thousand to one million rubles or administrative suspension of activity for up to ninety days. It means that an administrative responsibility for officials becomes tougher, not only the sum of fine is increased in respect of them, but also a disqualification is introduced. Together with this, the indicated Act provides for an addition to Art. 15.27 of the Administrative Offences Code; this is a new provision that establishes administrative liability for non-fulfillment by an organization, carrying out operations with monetary funds or other property, of laws on counteraction to legalization (laundering) of funds obtained from criminal activities and terrorist financing, if such non-fulfillment entailed legalization (laundering) of funds obtained from criminal activities and

	terrorist financing established by a valid court sentence. These changes cover all possible types of legislation violations for AML/CFT - both in terms of internal control organization and realization for AML /CFT purposes, including realization of internal control programs and procedures, identification requirements for persons in service, beneficiaries, documentary record and giving of information to an authorized body, storage of documents and information, as well as training of personnel. In accordance with the Federal Law No. 176-FZ all supervisory bodies are authorized to consider cases on administrative offences under Part 1-4 Article 15.27 of the Administrative Offences Code. By the Presidential Decree as of 04.03.2011 No. 270 on Measures to Improve Government Regulation in the Sphere of the financial market of the Russian Federation the Federal Insurance Supervision Service was annexed to the Federal Financial Markets Service, the maximum number of officers is increased. In 2009 the Federal Financial Markets Service of Russia revoked 23 licenses, in 2010 - 41 licenses, for the first half-year of 2011 - 44 licenses, for 2009 - 2011 64 qualification certificates for officials are canceled, from January 2011 penalties are applicable (21 for professional participants, 43 for insurers).
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information in the previous item. The Federal Financial Markets Service cease to exist due to the RF President Decree No.645 dated 25.07.2013. According to Federal Law No.251-FZ dated 23.07.2013 the powers to monitor and supervise non-credit financial institutions are vested in the Bank of Russia, with replacement of the directors and senior managers.
Recommendation of the MONEYVAL Report	*Russia should amend the Law on Private Pension Funds to enable the FSFM to demand and obtain access to all the requisite data, and amend the Law on the Securities Market to ensure that a licence of a corresponding FI can also be revoked for not filing STRs with the FIU and abolish the precondition of repeated violations during one year to revoke a licence.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The FSFM has elaborated the Federal draft law “On Amendments to the Federal Law “On the Securities Market” and other legislative acts of the Russian Federation” (in terms of prudential supervision over professional participants of the securities market and procedure of paying compensation to natural persons in the securities market), which envisages amendments to the Federal Law “On the Securities Market”, the Federal Law “On Investment Funds”, the Federal Law “On Private Pension Funds”, including in terms of granting the FSFM powers to request information from credit institutions, with which professional participants of the securities market, asset management companies, and private pension funds have accounts, information about transactions via such accounts.
Measures taken to implement the recommendations since the adoption	The draft law was elaborated which provides for an addition to Article 5 of the AML/CFT Law of such kind of organizations as non-state pension funds, that have a license to carry out activities related to provision of pensions and retirement insurance.

of the first progress report	In accordance with Art. 34 of Federal Law of 07.05.1998 No. 75-FZ on Non-state Pension Funds, the Russian Federal Financial Markets Service, while exercising supervision, has the right of unimpeded access to the premises of funds, as well as the right of access to documents and information (including the information in respect of which there is a requirement to ensure confidentiality) which are necessary for exercising of the control; as well as the right of access to software and hardware which ensure fixation, processing and storage of the indicated information
Measures taken to implement the recommendations since the adoption of the second progress report	Following abolition of the Federal Financial Markets Service and assignment of all its powers and responsibilities to the Bank of Russia, Federal Law No.251-FZ dated 23.07.2013 introduced amendments to Article 34 of Federal Law No.75-FZ dated 07.05.1998 on Non-Government Pension Funds. Pursuant to clause 5 of this Article the BoR officers, when performing the monitoring/ supervision functions within the scope of powers vested in them, are entitled, upon presentation of a service certificate and the relevant order issued by the BoR Chair (deputy Chair), to have free access to the premises of non-government pension funds and also have access to documents and data (including, information access to which is limited or completely restricted by the federal legislation) which are required for them to conduct inspection (monitoring), and are also entitled to have access to the software and hardware facilities used for recording, processing and storing such information.
Recommendation of the MONEYVAL Report	*Russia should clearly determine the competence of Roscomnadzor to conduct onsite inspections of compliance with the full range of AML/CFT requirements, request and receive data.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Federal Law dated 28 April 2009 No. 60-FZ amended Article 1 of the Federal Law dated 26 December 2008 No. 294-FZ "On the protection of rights of legal entities and individual entrepreneurs during state control (supervision) and municipal control", which eliminated limitations on the frequency and procedure for organizing and conducting inspections as part of measures to control compliance with AML/CFT legislation. This norm covers all AML/CFT supervisory bodies. Mincomsvyaz is considering the possibility of establishing a separate type of checks into the observance by the federal postal services of the procedure for recording, storing and disclosing information and organizing internal control rules. It is also considering the issue on the adoption of the Administrative Regulations of the Federal Service for Telecommunication, Information Technologies, and Mass Communications on the observance by the federal postal services of the procedure for recording, storing and disclosing information and organizing internal control rules.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. Some amendments were made to article 1 of the Federal Law of 26.12.2008 No. 294-FZ on Protection of the Rights of Legal Entities and Individual Entrepreneurs in the exercise of state control (supervision), and municipal control; these amendments, introduced by the Federal Law of 28.04.2009 No. 60-FZ, establish that there are no restrictions in terms of frequency, as well as the procedure for organizing and performing of inspections while monitoring compliance with legislation in the sphere of AML /CFT. This rule applies to all supervisory bodies in the field of AML /CFT, including the Federal Agency on Monitoring in the Sphere of Communications,

	Informational Technologies and Mass Communications. As well, in accordance with the Federal Law No. 176-FZ all supervisory bodies are empowered to consider cases on administrative offences under Part 1-4 of art. 15.27 of the Administrative Offences Code.
Measures taken to implement the recommendations since the adoption of the second progress report	Order No.213 issued by the Ministry of Communications and Mass Media on 29.08.2011 adopted the Administrative Regulation on supervision by the Federal Service for Supervision of Communications, Information Technologies and Mass Media (Roscomnadzor) of compliance by the federal postal service institutions with the established procedure of recording, retaining and reporting information on financial transactions that are subject to monitoring under the RF legislation and establishment and implementation of internal controls. Roscomnadzor local offices discharge the government supervision functions by conducting inspections (audits) of compliance by the federal postal service institutions with the established procedure of recording, retaining and reporting information on financial transactions that are subject to monitoring under the RF legislation. The purpose of the government supervision is to prevent, detect and deter breaches of the RF AML/CFT legislation (as it pertains to the requirements supervision of compliance with which is performed by Roscomnadzor) by conducting inspections (audits). The local offices of Roscomnadzor perform monitoring and supervision by conducting scheduled and ad hoc on-site inspections and office audits. The requirements provide for annual scheduled inspections (audits) of Post of Russia and its branches. It is also provided that on-site inspections involve verification of compliance with all AML/CFT requirements, *inter alia*, by requesting and receiving data. Clause 5 “f” of the Statute of the Radio Frequency Service adopted by RF Government Resolution No.434 dated 14.05.2014 on Radio Frequency Service stipulates that the functions of the Service include, *inter alia*, assessment, in a manner established by Roscomnadzor, of compliance by the communication service operators with the RF AML/CFT legislation.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	Federal Law No.134-FZ dated 28.06.2013 on Amendments to Certain Legislative Acts of the Russian Federation pertaining to Combating Illicit Transactions introduced modifications into Federal Law No.39-FZ dated 22.04.1996 on Securities Market by establishing requirements for management bodies, employees and founders (members) of the professional securities market players. Article 10.1. Requirements for Management Bodies and Employees of a Professional Securities Market Player 1. The following persons should be prohibited from holding the positions of member of the board of directors (supervisory board), member of collective executive body, sole executive body, manager of a branch of a professional securities market players, head of the internal control department, control officer of a professional securities market player, risk management officer (head of risk management department), head of a credit institution department created for operating in the capacity of a professional securities market player and head of a stand-alone department of a professional securities market player, if such professional player is in parallel involved in other

	types of activities: - Persons who have acted in the capacity of the sole executive body of financial entities when such financial entities committed breaches which resulted in cancellation (revocation) of their relevant licenses, or breaches that resulted in suspension of the said licenses, or which licenses were cancelled (revoked) for failure to eliminate such breaches, if less than three years have passed since such cancellation (revocation). For the purposes of this Federal Law a "financial entity" should mean a professional securities market player; clearing company; investment fund, mutual investment fund and non-government pension fund management company; special depository of investment fund, mutual investment fund and non-government pension fund; incorporated investment fund; credit institution; insurance institution; non-government pension fund; and organizer of trades; - Persons, a period of disqualification of whom for administrative offences has not expired; - Persons who have a non-discharged record of conviction for an economic crime or for a crime against the state. Upon occurrence of circumstances specified in this clause, a current member of the board of directors (supervisory board) is deemed to have resigned immediately after the relevant court decision or resolution of the designated authority enters into force. 2. A person may be elected (appointed) to the positions of sole executive body, head of internal control department, control officer of a professional securities market player as well as to the position of a head of department created for operating in the capacity of a professional securities market player (if a professional securities market player in parallel is involved in other types of activities) only upon prior consent (approval) of the federal securities market authority. The requirements set forth in this Clause do not apply to election (appointment) of a person to the position of sole executive body of a credit institution operating in the capacity of the professional securities market player. 3. A professional securities market player is obliged to notify the federal securities market authority in writing of proposed nominees to the positions listed in Clause 2 of this Article. Such notice should contain information confirming compliance of nominee(s) with the requirements set forth in Clause 1 of this Article. The federal securities market authority should, within 10 business days following receipt of such notice, give its consent (approval) to appointment or provide a written reasonable refusal to grant its consent. The federal securities market authority may refuse to give consent in a situation where a nominee does not meet the requirements specified in Clause 1 of this Article or where a notice contains incomplete or inaccurate information. 4. A professional securities market player is obliged to notify the federal securities market authority in writing of dismissal of persons from the positions listed in Clause 1 of this Article not later than one business day following a day when such decision is made. 5. A professional securities market player is obliged to notify the federal securities market authority in writing of appointment (dismissal) of members of its board of directors (supervisory board) and members of its collective executive body within

	three days following a day when such decision is made. The requirements set forth in this Article do not apply to credit institutions operating in the capacity of professional securities market players. Article 10.2. Requirements for Founders (Members) of a Professional Securities Market Player 1. An individual who has a non-discharged record of conviction for an economic crime or for a crime against the state should not be entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares a professional securities market player. 2. A person who is entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares of a professional securities market player, is obliged to send the relevant notice to the professional securities market player and to the federal securities market authority in a manner and within the timelines established by the federal securities market authority. 3. The federal securities market authority is empowered, within the scope of its supervisory functions, to request and receive, in a manner established by it, information on persons who are entitled, directly or indirectly (through other persons controlled by him/her) independently or jointly with other persons with whom he/she has entered into asset fiduciary management agreement and (or) partnership agreement and (or) agency agreement and (or) shareholder agreement and (or) other agreement for exercising the rights certified by the shares of (participating interest in) a professional securities market player, to vote with 10 and more percent of the voting shares of a professional securities market player. 4. If the notice mentioned in Clause 2 of this Article is not received by a professional securities market player, or if information contained in the received notice indicates that an individual, who is entitled to vote with 10 and more percent of the voting shares of a professional securities market player, does not meet the requirements set forth in Clause 1 of this Article, such individual should be entitled to vote with no more than 10 percent of the voting shares of a professional securities market player, while other shares (participating interest) held by such person should not be taken into account for defining a quorum of the general meeting (of shareholders/ members) of a professional securities market player. 5. The requirements set forth in this Article do not apply to credit institutions operating in the capacity of professional securities market players.

Recommendation 30 (Resources, integrity and training)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The number of Rosfinmonitoring vacancies is somewhat high, and all vacancies should be filled as a priority task.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Total staff of Rosfinmonitoring and its Interregional Departments is 645 employees. In 2008 it had 102 vacancies, as to August 2009 it has 60 vacancies. The most of vacancies have been announced.
Measures taken to implement the recommendations since the adoption of the first progress report	Total number of vacancies in Rosfinmonitoring and its Inter- Regional Departments is in December 2010 - 59, as of June 30, 2011 - 27. Thus, as a result of deliberate personnel policy, the number of vacancies has decreased 3.7 times, in comparison with 2008. The rest of vacancies has been announced
Measures taken to implement the recommendations since the adoption of the second progress report	Numbers of vacancies in the Rosfinmonitoring's headquarter and its territorial branches amounted 5%. Thus the number of vacancies decreased in 2 times in comparison with 2011. In accordance with Presidential Decree No. 1470 of 03.11.2012 staff size was increased in the Rosfinmonitoring's headquarter and its territorial branches increased in 100 and 150 units accordingly. Following the personnel reserve formation in the Rosfinmonitoring's headquarter and its territorial branches a number of vacancies amounted to 9% in December 2013.
Recommendation of the MONEYVAL Report	*All law enforcement agencies should continue strengthening the existing interagency AML/CFT training programs in order to have specialized financial investigators and experts at their disposal.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The Economic Security Department of the Russian Ministry of Internal Affairs is staffed by 1 046 employees. RF Presidential Decree dated 6 September 2009 established a structural division-Operative and Detective Bureau No. 10 of the MIA, where the 2nd and 3rd units with a total staff of 34 officers are imposed AML/CFT duties. Previously these functions were carried out by the 2nd department of Operative and Detective Bureau No. 7 of the MIA (with a total staff of 14 officers). The MIA and the International Training and Methodological Centre of Financial Monitoring elaborated a new standard training program for Russian law enforcement officers carrying out the activity in AML/CFT sphere. The draft program is currently being reconciled. It is expected to be included into all educational disciplines of legal specialties in higher professional education system of the Russian MIA aimed at

	detailed study of the forms and methods of law enforcement activity in the financial sphere. In the educational system of the Federal Security Service of Russia, the AML/CFT issues are included into educational plans on combating crimes that pose threats to economic security of the Russian Federation. They are studied at 13 courses of professional retraining and professional development for operative and administrative staff of the Federal Security Service (18 groups 25 - 30 persons each attend for these 13 courses throughout the year). AML/CFT issues are also included in educational plans of the newly established economic security department at the Russian Federal Security Service Academy. To examine and expand the positive experience, in 2008 the FSS conducted an overview of the practice of detecting and investigating crimes stipulated in Articles 174 and 174.1 of the Criminal Code of the Russian Federation by Federal Security Service agencies. As a result methodological recommendations on raising the effectiveness of dealing with such cases have been elaborated and disseminated to territorial FSS bodies. The findings of this overview with recommendations have been also published in the Bulletin of the FSS Economic Security Service.
Measures taken to implement the recommendations since the adoption of the first progress report	As for the Federal Drug Control Service (FSKN), in accordance with current legislation, the number of employees of territorial bodies of the Federal Drug Control Service of Russia, which are working in the area related to counteraction to legalization (laundering) of funds, obtained from drug trafficking, depends on the drug situation in the region. Special seminars on training of employees of operational and investigative units of the FSKN of Russia, which specialize in identification, prevention and investigation of crimes related to legalization (laundering) of drug revenues, are permanently carried out with support of the International Training and Methodological Center of Financial Monitoring (hereinafter – the ITMCFM). In 2010, on the basis of the ITMCFM, approximately 60 employees of the FSKN of Russia, which are working in the field of counteraction to money laundering and terrorist financing, were trained. In addition, in March and June of 2011 on the basis of the ITMCFM, more than 70 employees of the FSKN of Russia, which are working in the field of counteraction to money laundering and terrorist financing, were trained. The Government of the Russian Federation continuously pays particular attention to improvement of functioning of the AML/CFT system and operation of the law enforcement and supervisory agencies involved in. Special attention is focused on elimination of deficiencies revealed by the FATF experts/assessors in the course of mutual evaluation. To further enhance these efforts across the entire territory of the Russian Federation the Government of the Russian Federation and the Administration of the President of the Russian Federation tasked Rosfinmonitoring with arranging for and holding meetings with the government agencies operating within the AML/CFT system framework in all Federal Districts. Such meetings were held in March – April 2011 in a number of cities including those visited by the FATF, MONEYVAL and EAG experts/assessors (Moscow, St. Petersburg, Rostov-on-Don, Nizhny Novgorod, Yekaterinburg, Novosibirsk and Khabarovsk). The meetings were jointly chaired by the Head of Risfinmonitoring and the Plenipotentiary Representatives of the RF

	President in respective Federal Districts. Officials and officers–in-field from almost all law-enforcement, supervisory bodies, prosecutor's offices and the Central Bank participated in these meetings. The round tables were arranged at the meetings for field personnel to share the best practices. It is expected that such meetings will be held in future since they help to optimize the AML/CFT system functioning.
Measures taken to implement the recommendations since the adoption of the second progress report	Subject to applicable legislation, headcount of territorial agencies of FDCS of Russia involved in combating the laundering of proceeds of illegal drug trafficking depends on drug situation in the region. It should be noted that in 2012 a significant number of crimes associated with laundering of proceeds of illegal drug trafficking – despite their concurrent jurisdiction – were detected by drug enforcement agencies only. In 2012, FDCS registered 244 crimes associated with laundering of proceeds of illegal drug trafficking (YOY – 211) including 200 crimes under article 174 of the Criminal Code of Russia and 44 crimes under article 174.1 of the Criminal Code of Russia. Assessed amount of laundered money or other property received from illegal drug trafficking constituted RUR539.4 MIO (YOY – RUR303.7 MIO). During the reported period, in Russia, a total of 130 criminal cases under article 174 of the Criminal Code of Russia (YOY – 102) and 34 criminal cases under article 174.1 of the Criminal Code of Russia (YOY – 23) were taken to court with indictment issued by public prosecutor. In 2012, the number of offenders convicted under article 174 of the Criminal Code of Russia constituted 33, under article 174.1 of the Criminal Code of Russia – 10. Value of property under seizure (in criminal cases settled with pre-trial investigation) made up RUR292,255 thousand In 2012, executive and investigative units of FDCS of Russia submitted 3935 requests (YOY – 4321) for provision of information about suspicious operations (transactions) with regard to 6395 individuals (YOY – 5388) and 115 companies (YOY – 85). The Academy of the General Prosecutor's Office of the Russian Federation jointly with the International Training Center of Financial Monitoring organized dedicated workshops to train executive staff of prosecution agencies specializing in supervision of observation of CFT legislation Thus, in December 2013, employees of the General Prosecutor's Office of the Russian Federation attended training held by the International Training Center of Financial Monitoring as part of the program of advanced training in combating the financing of terrorist and extremist activities. In the Ministry of Internal Affairs of Russia, activities pertaining to detection and suppression of crimes related to money laundering are the responsibility of economic security and anti-corruption units established in the headquarters of the Ministry of Internal Affairs of Russia (Main Directorate for Economic Security and Anti-Corruption – MDESAC) as well as in territorial agencies of the Ministry of Internal Affairs of Russia at territorial, interregional, regional and district levels. Organization and coordination of works pertaining to suppression and detection of crimes associated with money laundering are immediate responsibility of the anti-money laundering department of the MDESAC of the Ministry of Internal Affairs of Russia

	with staffing level of 12 persons. Activities pertaining to combating the financing of terrorism are the responsibility of extremist activity countering centers established in the headquarters of the Ministry of Internal Affairs of Russia (Main Directorate for Countering Extremist Activities – MDCEA) as well as territorial agencies of the Ministry of Internal Affairs at territorial, interregional, regional levels. In MDCEA of the Ministry of Internal Affairs of Russia, organization and coordination of works pertaining to suppression and detection of crimes associated with financing of terrorism are the responsibility of the respective department with staffing level of 8 persons. Training and advanced training of employees in anti-money laundering or combating the financing of terrorism (depending on competence) should annually be performed both within the units as part of the performance training system and through holding of training by Rosfinmonitoring specialists.
Recommendation of the MONEYVAL Report	*Russia should intensify international training programs on ML and TF, especially for law enforcement officers in the (cross-border) regions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Seminars for law enforcement officials have been planned at the International Training and Methodological Centre of Financial Monitoring and as part of the MOLI-RU 2 project developed jointly with the Council of Europe and being implemented in Russia. Seminars in Vladivostok and Murmansk have been scheduled for October-November 2009 as part of the MOLI-RU 2 project.
Measures taken to implement the recommendations since the adoption of the first progress report	Please, refer to the information provided above. In addition to the mentioned measures on ensuring of an adequate level of training for specialists (operational officers and investigators), questions on AML/CFT are introduced by the Department of Economic Security of the Russian FSB Academy into educational programs "Participation of the Federal Security Service in ensuring of economic security, counteraction to corruption and organized crime " – for groups of professional training and retraining, as well as for groups of training - into an integrated course of specialization" Participation of the Federal Security Service in ensuring of economical security in the financial sector." Within the framework of the mentioned programs and courses, issues of international cooperation in combating financing of terrorism and money laundering are also discussed. A HR-department of the Russian Federal Security Service made a decision to organize a specialized group for advanced training of operational staff of the Federal Security Service in the field of counteraction to legalization (laundering) of revenues obtained by criminal means and terrorist financing. This group will be set up in 2012 at the Institute of the Russian FSS. At the present time employees of the Institute, in collaboration with the Economic Security Service of the Russian FSS, are developing training order documentation and the relevant training and educational materials. In April 2011 in Moscow, at the invitation of the U.S. DEA representative in Russia, training activities were organized for 26 employees of the FDCS of Russia, specializing in detection and prevention of facts of legalization of revenues from illicit

	traffic of drugs. These training activities also were attended by employees of Rosfinmonitoring.
Measures taken to implement the recommendations since the adoption of the second progress report	Training and advanced training of employees in anti-money laundering or combating the financing of terrorism (depending on competence) should annually be performed both within the units as part of the performance training system and through holding of training by Rosfinmonitoring specialists. Also, we would like to note that Federal Law No.134-FZ has considerably changed the AML/CFT system, with additional authorities granted to law enforcement and supervisory agencies. To this end, Rosfinmonitoring in consultation with the Presidential Administration of the Russian Federation resolved to hold meetings in all federal districts. In autumn 2013, Rosfinmonitoring and representatives of headquarters of ministries and government agencies held meetings in territorial offices under the chairmanship of Plenipotentiaries of the Russian President in the federal districts. Subsequently, inter-agency working groups were established in Interregional offices of Rosfinmonitoring in order to resolve operational issues, detect the needs related to training and advanced training of employees of supervisory and law enforcement agencies. In December 2013 under the auspices of Rosfinmonitoring, Ministry of Education, and Science of the Russian Federation and the Federal Agency for Scientific Organizations the Network AML/CFT Institute (hereinafter- the Institute) was set up. The Institute includes 15 educational and scientific organizations from Russia, Kazakhstan and Kyrgyzstan. The decision is to be made as to the participation of educational organizations from the CIS/EAG Member-States. The institute has received particular requests from the FIUs of Armenia and Uzbekistan. The member-organizations of the Institute set up the special divisions for staff training and conducting the scientific researches in the AML/CFT sphere. In January 2014 the Interagency working group was set up. It consists of representatives from Rosfinmonitoring, Ministry of Education, and Science of the Russian Federation and the Federal Agency for Scientific Organizations. In coordination with the Ministry of Labor and Social Security of the Russian Federation the decision to include the AML/CFT professional standards in the schedule of standards developing. The Institute was set up in order to educate specialists with high education, including advanced training and personnel development in the AML/CFT sphere. The following directions will include the AML/CFT educational profile: “Economics” “International Relations” “IT-Security” “Law” The elaboration of the Master’s Programs in the AML/CFT sphere is underway. The Institute’s members actively engaged in its activity and solution of problem to set

	up an effective system of personnel training for financial monitoring.
Recommendation of the MONEYVAL Report	*Russia should analyze the small number of convictions in ML cases compared to the number of ML crimes detected and consider greater specialization within the General Prosecutor's Office and judicial bodies, including creation of specialized units at the GPO and specialized ML and TF courts in order to raise the effectiveness of the system.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	On 30 June 2009, an interagency meeting of the heads of law enforcement agencies and Rosfinmonitoring under the chairmanship of the Russian Presidential assistant O.A. Markov was held. Based on the results of this meeting the GPO was instructed to analyze the effectiveness of the law enforcement efforts in the AML/CFT sphere. Once this analysis is completed, the issue of setting up specialized ML and TF units will be considered.
Measures taken to implement the recommendations since the adoption of the first progress report	Prosecutor General of the Russian Federation, in order to improve supervision, has issued an Order as of 19.01.2010 No. 11 "On organization of the prosecutor's supervision over implementation of the AML/CFT legislation" In particular, according to this Order, public prosecutor's offices are focused on prevention of illegal and unjustified institution of an action for crimes under Art. 174 and 174.1 of the Criminal Code. They also have to react on facts of premature institution of an action in the absence of traces of a crime, as a result of which criminal revenues were obtained. Moreover, at least once in six months they also have to make a case study of operational records for completeness and legality of measures undertaking by the bodies carrying out operative and investigative activities; to analyze statistical data on the results of operative and investigative activities aimed at detection, suppression, disclosure and prevention of crimes related to legalization (laundering) of funds, obtained by criminal means, and terrorist financing. As well, this Order prescribes: to provide -participation in courts during hearing of criminal cases on crimes related to legalization (laundering) of funds, obtained by criminal means, and terrorist financing, - the most competent public prosecutors, - timely cassation appeal of each unlawful, unreasonable and unjust sentence and other court decision; to pay a particular attention to compliance of the type and measure of the imposed punishment with a degree of community danger of the crime; to consider at coordinating and interagency meetings the most urgent organizational problems related to counteraction to legalization (laundering) of funds obtained by criminal means, and terrorist financing; to continue improving of the skills of subordinate employees, including by the invitation to training activities of representatives of the Federal Finance Monitoring Agency and other government agencies concerned; to send prosecutors for participation in interagency meetings and scientific workshops on countering legalization (laundering) of funds obtained by criminal means, and

	terrorist financing. Furthermore, the prosecutors of the Russian Federation, equal to the military prosecutors and prosecutors of other specialized public prosecutor's offices are obliged to review annually the status of law and practice of public prosecutor's supervision over implementation of the legislation on counteraction to legalization (laundering) of funds obtained by criminal means, and terrorist financing.
Measures taken to implement the recommendations since the adoption of the second progress report	In order to further improve supervision, the Prosecutor General's Office of the Russian Federation and the Academy of the Prosecutor General's Office of the Russian Federation in 2012 issued and distributed among employees of the Prosecutor's Office the Recommended Practices "Prosecutor's Supervision of Law Enforcement in Detection and Investigation of Terrorism Financing" that contain: - criminological characteristic of terrorism financing; - issues of criminal law qualification of assisting the terrorist activities in the form of terrorism financing; - legal regulation of prosecutor's supervision in this sphere; - authorities of the prosecutor to supervise enforcement of CFT legislation; - specifics of prosecutor's supervision in this sphere. Enhancing performance of specialized divisions of law enforcement authorities should be on agenda of inter-departmental meetings attended by Rosfinmonitoring. In 2013, joint Board Meeting of FDCS of Russia and the Federal Financial Monitoring Service was held. This year, the General Prosecutor's Office in collaboration with the Investigation Committee of the Russian Federation, the Ministry of Internal Affairs of Russia, the Federal Security Service of Russia, the FDCS of Russia, the Federal Customs Service of Russia, the Federal Bailiff Service of Russia and the Federal Financial Monitoring Service carried out analysis of performance in the sphere of anti-money laundering as well as of performance of law enforcement authorities in detection and suppression of crimes and offences associated with non-repatriation or illegal transfer from the Russian Federation of monetary assets in 2012-2013. Analysis findings were discussed at the coordination meeting of chief executives of law enforcement authorities of the Russian Federation on 27.05.2014, with elaboration of specific measures to advance further activities in the given direction. In 2013, the FDCS of Russia and Rosfinmonitoring analyzed the practices of criminal prosecution for laundering of money or other proceeds of illegal drug trafficking, prepared the Recommended Practices of Detection and Investigation of Crimes under articles 174, 174.1 of the Criminal Code of the Russian Federation associated with laundering of proceeds of illegal drug trafficking. These documents were sent to investigative and executive units of drug enforcement agencies, analytical subdivisions of Rosfinmonitoring.
Recommendation of the MONEYVAL	*Staffing levels of the FCS should be increased to keep up with the growing workload.*

Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	To ensure effective implementation of AML/CFT function by the customs authorities while physical cross-border movement of cash or bearer negotiable instruments take place, a proposal has been submitted to the Russian Government to increase the total staff of the relevant units of customs authorities. The number of customs officers involved in AML/CFT efforts has been increased by reallocating personnel and amending the provisions on law enforcement units and job descriptions of operative employees in field. As of August 2009, the total number of staff members is 14 000, including 361 at the Central Headquarters of the Federal Customs Service.
Measures taken to implement the recommendations since the adoption of the first progress report	According to the Order of the FCS of Russia No. 149-p, employees responsible for the line work on AML/CFT are designated by regional units of customs bodies. Meetings with representatives of departments of financial investigations are held by regional units of customs bodies, as well as training seminars on issues related to AML/CFT.
Measures taken to implement the recommendations since the adoption of the second progress report	In pursuance of resolution of the Board of the Federal Customs Service of Russia of 28.09.2012, job descriptions and duty regulations of customs executives at all levels responsible for supervision of transfer of money and cash instruments across the border of the Russian Federation stipulate authorities pertaining to combating money laundering and financing of terrorism. Currently, 10630 customs executives are vested with authorities to combat money laundering and financing of terrorism. Recommendation materials elaborated with account of best international practices in detection and suppression of illegal physical trans-border movement of money and bearer cash instruments and of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation meant for use in respective activities were forwarded to regional customs offices and customs in immediate subordination to the Federal Customs Service of Russia.
Recommendation of the MONEYVAL Report	*At the majority of regional departments and most law enforcement and supervisory bodies the number of employees specifically tasked with AML/CFT issues is low and difficult to evaluate.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The Economic Security Department of the Russian Ministry of Internal Affairs is staffed by 1 046 employees. RF Presidential Decree dated 6 September 2009 established a structural division-Operative and Detective Bureau No. 10 of the MIA, where the 2nd and 3rd units with a total staff of 34 officers are imposed AML/CFT duties. Previously these functions were carried out by the 2nd department of Operative and Detective Bureau No. 7 of the MIA (with a total staff of 14 officers). The MIA and the International Training and Methodological Centre of Financial Monitoring elaborated a new standard training program for Russian law enforcement officers carrying out the activity in AML/CFT sphere. The draft program is currently being reconciled. It is expected to be included into all educational disciplines of legal

	specialties in higher professional education system of the Russian MIA aimed at detailed study of the forms and methods of law enforcement activity in the financial sphere. In 2009, the Ministry of Finance allocated extra personnel (15 employees) for the Assay Chamber to increase the controlling and supervisory staff of federal assay authorities that supervise compliance with AML/CFT requirements by institutions buying, buying and reselling precious metals and stones and jewellery items made from them as well as jewellery scrap. In the educational system of the Federal Security Service of Russia, the AML/CFT issues are included into educational plans on combating crimes that pose threats to economic security of the Russian Federation. They are studied at 13 courses of professional retraining and professional development for operative and administrative staff of the Federal Security Service (18 groups 25 - 30 persons each attend for these 13 courses throughout the year). AML/CFT issues are also included in educational plans of the newly established economic security department at the Russian Federal Security Service Academy. Rosfinmonitoring and other supervisory bodies (Roscomnadzor and FISS) have analyzed their needs for additional staff in charge of the AML/CFT issues and submitted proposals to the Russian Government. The total staff of the FISS and its territorial bodies is 310 persons. By the Russian Government Resolution dated 5 December 2008 No. 914 “On amendments to Russian Government resolutions dated 8 April 2004 N. 203 and 30 June 2004 No. 330", the maximum number of employees of the FISS territorial bodies has been increased from 119 to 160 (effective since 1 January 2009). As already pointed out in Recommendation 23, in order to provide AML/CFT supervisory bodies with qualified human resources, Rosfinmonitoring and the International Training and Methodological Centre of Financial Monitoring are working to organize a training and professional development system for specialists of supervisory bodies. In the first half of 2009 the central headquarters of Post of Russia set up a 6-person financial monitoring sector at the Department for Organization of Regional Work and Cooperation with Law Enforcement of the Postal Security Directorate. The unit is presently fully staffed. On 3 March 2009, Head of Roscomnadzor approved the consolidated list of training activities aimed at raising qualifications of Roscomnadzor employees in 2009, which has been disseminated among all territorial bodies of Roscomnadzor.
Measures taken to implement the recommendations since the adoption of the first progress report	As for the Federal Drug Control Service (FSKN), in accordance with current legislation, the number of employees of territorial bodies of the Federal Drug Control Service of Russia, which are working in the area of counteraction to legalization (laundering) of funds, obtained from drug trafficking, is dependent on the drug situation in the region. Special seminars on training the employees of operational and investigative units of the FSKN of Russia, which specialize in identification, prevention and investigation of crimes related to legalization (laundering) of drug revenues, are permanently carried out with support of the International Training and Methodological Center of

	Financial Monitoring (hereinafter – the ITMCFM). In accordance with the approved Consolidated List of training events of the Federal Agency on Monitoring in the Sphere of Communications, Informational Technologies and Mass Communication, which are aimed at upgrade of staff's skills in 2010, two training workshops were held in May and in October 2010. These training workshops were held with the participation of the inspectors of regional bodies on the topic of "State supervision over activities in the field of postal services and in the sphere of counteraction to legalization (laundering) of funds obtained by criminal means, and terrorist financing (AML/CFT): requirements, methodology and enhancement of the effectiveness" (160 inspectors are trained). The workshops were attended by the specialists from the Federal Agency on Monitoring in the Sphere of Communications, Informational Technologies and Mass Communication, the Russian Finance Monitoring Agency, and ANO "ITMCFM." In view of vesting to the Federal Agency on Monitoring in the Sphere of Communications, Informational Technologies and Mass Communication (hereinafter – the Federal Agency) of the right to consider cases of administrative offenses under paragraphs 1-4 of article 15.27 of the Administrative Code of the Russian Federation, a training in the form of VC for the heads of territorial bodies of the Federal Agency (or their deputies), state inspectors and specialists who provide legal support, was held in May 2011 (300 persons were trained). In August 2011 a training seminar with government inspectors of territorial bodies of the Federal Agency was held (75 persons were trained). As well, in conjunction with the ITMCFM an exchange of experience in law enforcement practice on "Supervision in the sphere of AML/CFT" was held in the form of training workshops between Rosfinmonitoring and Rosstrakhnadzor. The Government of the Russian Federation continuously pays particular attention to improvement of functioning of the AML/CFT system and operation of the law enforcement and supervisory agencies involved in. Special attention is focused on elimination of deficiencies revealed by the FATF experts/assessors in the course of mutual evaluation. To further enhance these efforts across the entire territory of the Russian Federation the Government of the Russian Federation and the Administration of the President of the Russian Federation tasked Rosfinmonitoring with arranging for and holding meetings with the government agencies operating within the AML/CFT system framework in all Federal Districts. Such meetings were held in March – April 2011 in a number of cities including those visited by the FATF, MONEYVAL and EAG experts/assessors (Moscow, St. Petersburg, Rostov-on-Don, Nizhny Novgorod, Yekaterinburg, Novosibirsk and Khabarovsk). The meetings were jointly chaired by the Head of Rosfinmonitoring and the Plenipotentiary Representatives of the RF President in respective Federal Districts. Officials and officers–in-field from almost all law-enforcement, supervisory bodies, prosecutor's offices and the Central Bank participated in these meetings. The round tables were arranged at the meetings for field personnel to share the best practices. It is expected that such meetings will be held in future since they help to optimize the AML/CFT system functioning.
Measures taken to implement the recommendations since the	According to the Roskomnadzor Schedule of Training aimed at improving the skills of employees in 2012, two workshops for state inspectors of Roskomnadzor territorial agencies were held on the following subjects: "Governmental supervision of activities in the field of postal communication and in the sphere of AML/FT", "Enhancing

adoption of the second progress report	efficiency of supervision and control, risk-oriented approach in AML/FT supervision". 240 employees of Roskomnadzor territorial agencies completed training and advanced training. Two similar training events were held in 2013. 145 employees of Roskomnadzor territorial agencies completed training. Trainings are permanently attended by specialists of Rosfinmonitoring and ANO International Training Center of Financial Monitoring (hereafter – ITCFM). In the Ministry of Internal Affairs of Russia, activities pertaining to detection and suppression of crimes related to money laundering are the responsibility of economic security and anti-corruption units established in the headquarters of the Ministry of Internal Affairs of Russia (Main Directorate for Economic Security and Anti-Corruption – MDESAC, with staffing level of 645 persons) as well as in territorial agencies of the Ministry of Internal Affairs of Russia at territorial, interregional, regional and district levels (total staffing level of 20109 persons). Organization and coordination of works pertaining to suppression and detection of crimes associated with money laundering are immediate responsibility of the anti-money laundering department of the MDESAC of the Ministry of Internal Affairs of Russia with staffing level of 12 persons. Activities pertaining to combating the financing of terrorism are the responsibility of extremist activity countering centers established in the headquarters of the Ministry of Internal Affairs of Russia (Main Directorate for Countering Extremist Activities – MDCEA, with staffing level of 295 persons). In MDCEA of the Ministry of Internal Affairs of Russia, organization and coordination of works pertaining to suppression and detection of crimes associated with financing of terrorism are the responsibility of the respective department with staffing level of 8 persons.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	In 2014, Roskomnadzor provided training in theory and practical application of the "Recommended practices of governmental control (supervision) of compliance of federal postal communication organizations with AML/FT legislation" to 70 employees of territorial agencies of Roskomnadzor. In June 2014, training (workshop) was held for employees of the Roskomnadzor territorial agencies on the subject of "Governmental control (supervision) in the sphere of communication after compliance of service providers with AML/FT legislation". 75 employees of the Roskomnadzor territorial agencies (71) and Roskomnadzor headquarters (4) completed training and advanced training. Trainings were attended by specialists of Rosfinmonitoring and ANO International Training Center of Financial Monitoring (hereafter – ITCFM). The event was attended by major communication service providers entitled to independently provide mobile radiotelephone communication services; FGUP Post of Russia – entities under article 5 of Federal Law of 07.08.2001 No.115, participants discussed presentations made by service providers in relation to measures taken to ensure compliance with AML/FT legislation, organization of internal control by new law entities. As part of the training session, representatives of supervised sectors were given explanations regarding enforcement of AML/FT legislation.

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The Russian authorities should implement a system that requires adequate transparency regarding the beneficial ownership and control of legal persons.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The draft law amending the AML/CFT Law introduces the definition of "beneficial owner". According to the proposed amendments, FIs and primarily credit institutions must obtain credible information on beneficial ownership of the customers. Since under the requirements of Russian laws each legal person must have an account with a credit institution, all information on beneficial ownership of legal persons in the Russian Federation will be kept by credit institutions. According to the established procedure, FIU and law enforcement bodies can access to such information. Furthermore, pursuant to Item 12 of the Russian Financial Market Development Strategy up to 2020, adopted by Russian Government Decision dated 1 December 2008 No. 2043-r, the FSFM elaborated the Federal draft law "On amendments to the Federal Law "On the Securities Market" (which requires the disclose of information on beneficial owners (ultimate beneficiaries) of Russian joint-stock companies)".
Measures taken to implement the recommendations since the adoption of the first progress report	The Federal Law on 23.07.2010 No. 176-FZ, which amends the AML/CFT Law, provides a definition of a "beneficiary". In accordance with the Federal law beneficiary is a person whose benefit the customer acts for, in particular under a brokerage, agency, commission and grant agreement, when carrying out transactions with funds or other assets. But even before the issues of transparency the beneficial ownership were regulated by law. Thus, the method of estimating the transparency of the ownership is established by the Bank of Russia in the Direction on 30.04.2008 No. 2005-U "On assessing the economic position of banks. " This technique is based on the approaches used to assess the transparency of the ownership structure from banks included in the deposit insurance system set forth in the Direction of the Bank of Russia on 16.01.2004 No. 1379-U "On assessing the financial sustainability of a bank in order to confirm its ability to participate in the deposit insurance system ". In accordance with Instruction No.2005-U the evaluation of the economic position of banks is carried out, including the evaluations of the transparency of the ownership structure of the bank. If the ownership structure of a bank is found by the Bank of Russia as "nontransparent", such banks are classified in the group 3, and are the subject for the special control by the Bank of Russia. Since December 2009, there has been a norm which obliges banks included in the deposit insurance system to open to disclose the information on the individuals that

	have a significant (direct or indirect) influence on the decisions taken by its management in accordance with the Bank of Russia (subparagraph "b" of the paragraph 21 of Article 1 of the Federal Law on 22.12.2008 No. 270-FZ" On amending the Federal Law "On the insurance of the household deposits in the banks of the Russian Federation"). In the Direction of the Bank of Russia on 27.10.2009 No. 2312-U "On amending the Direction of the Bank of Russia on January 16, 2004 No. 1379-U "On assessing the financial sustainability of a bank in order to confirm its ability to participate in the deposit insurance system" the requirement was established. According to it, a bank is acknowledged as providing the access to the information about the individuals that have a significant (direct or indirect) influence on the decisions taken by its management to public , if the information about them is available on the Internet - at the site of a bank or in the official branch of the Bank of Russia in the Internet in the manner prescribed by the Bank of Russia on 27.10.2009 No. 345-P "On the disclosure of official representation of the Bank of Russia in the Internet of the information about people that have a significant (direct or indirect) influence on the decisions taken by management of banks - participants of the compulsory insurance system of individual deposits in Russian banks. " This statement admits that a bank is ensuring the access to the information by the public about people that have a significant direct or indirect influence on the decisions taken by its governing bodies, if the information in the Internet mentions a name, first name, nationality, place of residence (name of city, town) of a natural person - beneficiary and a full name (if an abbreviated name), location (postal address), a main state registration number and a date of state registration of the legal entity through which the beneficiary has a significant impact. In case of changing a person in a group of persons who have direct or indirect significant influence on the decisions taken by the bank's administration, the information on such changes should be posted on the Bank's website in the Internet no later than in 10 working days after such change. In case if the requirements above of the Bank of Russia aren't followed and a bank gets an "unsatisfactory" assignment for three consecutive months (Article 48 of the Federal Law "On the insurance of the household deposits in Banks of the Russian Federation"), a bank included in the bank register is found to be inconsistent with the requirements for the participation in the deposit insurance system, that will review its license to draw deposits from the individuals and a ban on opening and maintaining bank accounts of the individuals. Thus, the Bank of Russia within the authority granted by the federal law develops and applies the system for monitoring the changes of the banks beneficiary. Order by the Federal Financial Markets Service of Russia on 06.03.2007 No. 07-

	21/pz-n expired because of the issuance of Order by the Federal Financial Markets Service Russia on 20.07.2010 No. 10-49/pz-n "On the approval of the licensing requirements and the conditions of the professional activity in the market securities "(hereinafter - Regulations). In accordance with the Regulations the complete information on the ownership structure, according to the Federal Financial Markets Service of Russia, should be considered as the disclosure a person or a group of people who directly or indirectly own five percent or more of the authorized (share) capital licensee. Thus, the information about a specific person or a group of people considered to be disclosed, if such person (or a person from a group of people) is the Russian Federation, the subject of the Russian Federation, the municipality, an individual, a legal entity, disclosing the information in accordance with the Article 30 of the Federal Law on 22.04.1996 No. 39-FZ "On the securities market" or a non-profit organization (except for a non-commercial partnership), as well as a foreigner having the similar status. Full details on the licensee's ownership structure should be presented in the Federal Financial Markets Service of Russia on magnetic carrier and in the paper form no later than in 15 working days following the reporting quarter. In the present in order to impart the transparency to the public companies the Federal Law on 27.07.2010 No. 208-FZ "On the Consolidated Financial Statements" provides that in accordance with the International Financial Reporting Standards the public companies while submitting the reports should specify not only the affiliates, but also the associates.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law 134-FZ introduces the new concept of “beneficial owner” – for the purposes of the AML/CFT Law, an individual who ultimately – directly or indirectly (through the agency of third parties) – owns (has a dominant share of over 25 percent in equity capital of) customer that is a legal entity, or is in a position to control such customer’s actions Also, the above law stipulates that “Customers should be obligated to submit to organizations performing operations with funds or other property any information necessary for such organizations to comply with the requirements of this Federal Law, including information about their beneficiaries and beneficial owners.» Statute 375-P stipulates that the credit institution should resolve to recognize an individual as the beneficial owner, if such individual has an opportunity to control customer’s actions with a view to the following factors: a) an individual directly or indirectly (through the agency of third parties) has a dominant share (of over 25 percent) in equity capital of customer or owns over 25 percent of customer’s equity capital with a right to vote; б) an individual has a right (opportunity) – including such right rendered by the

	agreement with the customer – to exercise direct or indirect (through the agency of third parties) significant influence on decisions made by the customer, exercise his/her authorities to influence the amount of the customer's income, an individual has an opportunity to influence the customer's decisions concerning execution of transactions (including those bearing credit risk (concerning granting of credits, guarantees, etc.), as well as of financial operations. This being the case, recognition of the individual as the beneficial owner should be based on analysis of the set of factors listed in Statute 375-P and of all documents and (or) information about the customer and such individual available to the credit institution. To attain the above goals, Federal Law No. 134-FZ lays customers under an obligation to submit to organizations performing operations with funds or other property any information necessary for such organizations to comply with the requirements of Federal Law No. 115-FZ, including information about their beneficiaries and beneficial owners.» Besides, the Bank of Russia in consultation with Rosfinmonitoring published an information letter that stipulates the detailed procedure undertaken by organizations performing operations with funds or other property in identification of beneficial owners (Letter of the Bank of Russia of 28.01.2014 No.14-T). Federal Law No.134-FZ amends Article 15.27 of the Administrative Offences Code to establish responsibility for failure to submit to the authorized agency on its request of any information about customers' operations and customers' beneficial owners or about customers' account (deposit) moves where such information is available to organizations performing operations with funds or other property, which should be subject to an administrative fine in amount of three to five hundred thousand rubles for legal entities. Federal Law No. 134-FZ lays organizations performing operations with funds or other property under an obligation to update information about customers, customer representatives, beneficiaries and beneficial owners at least once a year, and in case of doubt regarding reliability and accuracy of previously obtained information – within seven days following the day on which such doubt arises».
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other	

relevant initiatives	

Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should implement the elements of SR.III that go beyond the requirements of the UNSCRs.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Federal Law dated 30 December 2006 No. 281-FZ “On special economic measures” grants the Russian Federation due powers to freeze assets used for terrorist financing when there are no Security Council resolutions on freezing assets of specific terrorists or terrorist organizations. Such terrorists or terrorist organizations may be considered under part 2 of Article 1 of this Law as a threat to the interests and security of Russia, rights and freedoms of its citizens, in which connection that necessitates urgent countermeasures. In terms of TF such countermeasures under item 1 of part 2 of Article 3 of the said Law involve prohibiting financial transactions or imposing freezing of financial assets. The mechanism of implementing such measures is set out in Article 4 of the Law. It involves issuance by the Russian President, with the Parliament's approval, of an order containing specific instructions for the authorities, including Rosfinmonitoring, as well as financial institutions, organizations and natural persons.
Measures taken to implement the recommendations since the adoption of the first progress report	Please refer to the information provided above. In accordance with the Federal law No. 162-FZ of 22.06.2011 the assets of individuals suspected of FT are frozen for indefinite period of time according to court decision, made in the course of civil legal proceedings initiated by the application of the Federal Financial Monitoring Service.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ lays organizations performing operations with funds or other property under obligations to block (freeze) funds or other property immediately, but no later than one business day after the day of posting in the Internet on the official web-site of the authorized agency of any information about entering of an organization or an individual in the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, or after the day of posting in the Internet on the official web-site of the authorized agency of resolution with regard to taking measures to block (freeze) any funds or other property owned by an organization or an individual that according to sufficient causes are suspected of being involved with terrorist activities (including financing of terrorism) with no grounds for entering in the list an organization or an individual in the list.

	Organizations performing operations with funds or other property should immediately deliver respective information on measures taken to the authorized agency under the procedure established by the Government of the Russian Federation; and for credit institutions, under the procedure established by the Central Bank of the Russian Federation. Besides, organizations performing operations with funds or other property should at least once every three months, check their customer bases for presence of organizations and individuals, in relation to which measures to block (freeze) funds or other property are applied or should be applied, and inform the authorized agency of the results of such check under the procedure established by the Government of the Russian Federation; and for credit institutions, under the procedure established by the Central Bank of the Russian Federation. Therewith, Federal Law No.134-FZ introduces Article 7.4 to stipulate additional measures of combating terrorism. The procedure for notification by credit institutions of the authorized agency in the above cases is stipulated in Decree of the Bank of Russia of 19.09.2013 No.3063-U “On procedure for provision by credit institutions to the authorized agencies of information about adopted measures to block (freeze) funds or other property of organizations and individuals and about the results of inspection of customer base for presence of organizations and individuals, in relation to which measures to block (freeze) funds or other property are applied or should be applied”. Provided that, Federal Law of 28.12.2013 No. 403-FZ “On Amendment to Federal Law “On the national payment system” and Federal Law “On anti-money laundering and combating the financing of terrorism” vests individuals on the list of organizations and individuals that according to available information are involved in extremist activities or terrorism with the right to perform a number of operations with funds that are subject to freezing (blocking) meant to provide support to such individuals as well as to their family members who live in the same household and have no independent sources of income.
Recommendation of the MONEYVAL Report	*Russia should rely less on the criminal justice system to be able to effectively implement SR.III.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Even though criminal procedure guarantees minimization of the threat of human rights violations in the course of combating TF, Russia can effectively use, besides criminal procedure mechanism, the mechanism of the Law “On special economic measures” for freezing terrorist assets. In particular, this mechanism is implemented in Russian Presidential Orders No. 682 dated 5 May 2008 (with respect to Iran, its organizations and individuals) and No. 665 dated 27 May 2007 (with respect to the Korean People’s Democratic Republic, its organizations and individuals). Although these measures involve countering the spread of WMD, not TF, they still illustrate a mechanism suitable for combating TF.
Measures taken to implement the recommendations since the adoption	The Federal Law as of 27.06.2011 No. 162-FZ "On the amendments to certain legislative acts of the Russian Federation in connection with the adoption of the Federal Law" On the national payment system" provides the following: "According to court decision made on the application of the authorized body, bank

of the first progress report	accounts (deposits) operations, as well as other transactions with monetary funds or other assets of organizations or persons in relation to whom there is evidence of their involvement in the extremist activities or terrorism obtained using the procedures established in accordance with the Federal Law, or legal entities, directly or indirectly owned or controlled by such organizations or persons, or persons or entities acting on behalf of or at the direction of such organizations or persons, are suspended until cancellation of such decision in accordance with the laws of the Russian Federation." Therefore Russia no longer relies on a criminal justice system to freeze assets. According to the new law assets are frozen through an administrative procedure by a court order upon request of Rosfinmonitoring. The freeze is effective and indefinite until a delisting occurs and the court order is suspended.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ provides to amend Article 3 to read as follows: "blocking (freezing) of noncash funds or uncertificated securities – a ban on performance of operations with funds or securities owned by an organization or an individual on the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, or by an organization or an individual that according to sufficient causes are suspected of being involved with terrorist activities (including financing of terrorism) with no grounds for entering in the list, which ban should be addressed to owners, organizations performing operations with funds or other property, other individuals and legal entities; blocking (freezing) of property – a ban on performance of operations with property owned by an organization or an individual on the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, or by an organization or an individual that according to sufficient causes are suspected of being involved with terrorist activities (including financing of terrorism) with no grounds for entering in the list, which ban should be addressed to possessor or owner of property, organizations performing operations with funds or other property, other individuals and legal entities."; In Article 7 of the AML/CFT Law, add new paragraphs 6 and 7 to clause 1 to read as follows: "6) take measures to block (freeze) funds or other property immediately, but no later than one business day after the day of posting in the Internet on the official web-site of the authorized agency of any information about entering of an organization or an individual in the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, or after the day of posting in the Internet on the official web-site of the authorized agency of resolution with regard to taking measures to block (freeze) any funds or other property owned by an organization or an individual that according to sufficient causes are suspected of being involved with terrorist activities (including financing of terrorism) with no grounds for entering in the list an organization or an individual in the list, with immediate delivery of information on measures taken to the authorized agency under the procedure established by the Government of the Russian Federation; and for credit institutions, under the procedure established by the Central Bank of the Russian Federation;"; 7) at least once every three months, check its customer base for presence of organizations and individuals, in relation to which measures to block (freeze) funds or other property are applied or should be applied, and inform the authorized agency of

	the results of such check under the procedure established by the Government of the Russian Federation; and for credit institutions, under the procedure established by the Central Bank of the Russian Federation.”; б) amend clause 10 to read: «10. Organizations performing operations with funds or other property should suspend the respective operation (except for operations pertaining to crediting of funds received to the account of an individual or legal entity) for two business days after the day when the customer’s order to perform such operation should be fulfilled, if at least one of the parties is an organization or an individual, whose funds or other property were subjected to freezing (blocking) according to sub-clause 6 of clause 1 of this article; or a legal entity directly or indirectly owned or controlled by such organization or individual; or an individual or legal entity acting on behalf, or under the instructions, of such organization or individual. Organizations performing operations with funds or other property should immediately submit any information about suspended operations to the authorized agency. If within the period of suspension organizations performing operations with funds or other property do not receive the authorized agency’s resolution to further suspend the respective operation according to part three of article 8 of this Federal Law, organizations specified in paragraph 1 of this clause should perform operations with funds or other property under the customer’s order, unless another resolution limiting performance of such operation is adopted according to legislation of the Russian Federation.”; Federal Law No.134-FZ supplements Federal Law No.115-FZ with new article 7.4 reading as follows: «Article 7.4 . Supplementary Anti-Terrorism Financing Measures 1. If there are sufficient grounds to suspect that an organization or an individual is involved in terrorist activities (including financing of terrorism), with no grounds as per clause 2.1 of article 6 of this Federal Law to enter such organization or individual in the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, *inter alia* if the authorized agency receives from a foreign competent authority any information concerning involvement of the organization or the individual in terrorist activities (including financing of terrorism), the interagency coordination authority that performs the functions of combating the financing of terrorism may resolve to freeze (block) funds or other property of the said organization or individual. Sufficiency of ground to suspect involvement of the organization or the individual in terrorist activities (including financing of terrorism) should be evaluated by the interagency coordination authority that performs the functions of combating the financing of terrorism. Regulation concerning the interagency coordination authority that performs the functions of combating the financing of terrorism and its members should be approved by the President of the Russian Federation. 2. Should the interagency coordination authority that performs the functions of combating the financing of terrorism resolve to freeze (block) funds or other property of an organization or an individual specified in clause 1 of this article, the authorized

	agency should immediately post the resolution on its official web-site in the Internet so that organizations performing operations with funds or other property could take measures stipulated in sub-clause 6 of clause 1 of article 7 of this Federal Law. 3. Resolution of the interagency coordination authority that performs the functions of combating the financing of terrorism regarding freezing (blocking) of funds or other property of an organization or an individual specified in clause 1 of this article may be appealed against by such organization or individual in a judicial procedure. 4. To provide support to an individual whose funds or other property were frozen (blocked) subject to the respective resolution as well as to his/her family members who live in the same household and have no independent sources of income, the interagency coordination authority that performs the functions of combating the financing of terrorism resolves to grant to such an individual a monthly humanitarian allowance in amount of up to 10,000 rubles. Such allowance should be paid out of frozen (blocked) funds or other property owned by the allowance recipient. 5. Organizations and (or) individuals that are in civil, labour or any other relations that give rise to any property liabilities with the organization or individual whose funds or other property were frozen (blocked) subject to the respective resolution and that suffered property damages as a result of freezing (blocking) of funds or other property, should be entitled to file a civil claim for damages against the person whose funds or other property were frozen (blocked) subject to the respective resolution. Should the court allow the claim, the recovered amount and legal expenses should be reimbursed out of frozen (blocked) funds or other property owned by the defendant. Besides, Federal Law No.134-FZ provides for amendment of article 15.27 of the Administrative Offences Code to stipulate liability for failure to observe legislation as regards blocking (freezing) of funds or other property or suspension of an operation with funds or other property, which should be subject to an administrative fine in amount of thirty to forty thousand rubles for executive officers, of three to five hundred thousand rubles or administrative suspension of activities for a period of up to sixty days – for legal entities. Therefore, an out-of-court freezing (blocking) system is established.
Recommendation of the MONEYVAL Report	*Russia needs to implement a national mechanism to examine and give effect to actions initiated under the freezing mechanisms of other jurisdictions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Application of the mechanism stipulated in the Federal Law “On Special Economic Measures” for these purposes is possible if Russia has sufficient grounds to believe that actions, which have necessitated freezing procedures by other jurisdictions, threaten its interests or those of its citizens.
Measures taken to implement the recommendations since the adoption	The Federal Law as of May 4, 2011 No. 97-FZ “On Amendments to the Criminal Code of the Russian Federation and to the Code on Administrative Offences of the Russian Federation for Improvement of Government Regulation on Combating Corruption” completed the Administrative Offences Code of the Russian Federation

of the first progress report	with the chapter 1.29 "Legal Assistance in Case of Administrative Offences". Article 29^1.5 of the Code regulates the issues related to the execution by the Russian Federation of the legal assistance requests submitted by the relevant competent authorities and public officials of the foreign countries in accordance with the international treaties/agreements signed by the Russian Federation or on a reciprocal/bilateral basis. Pursuant to Item 2 of this Article the provisions of the RF Code on Administrative Offences should be used for execution of a request. If the received request contains a request to apply procedural rules of a foreign country, an official who executes such request uses the legislation of such foreign country if such application is not contrary to the RF legislation and is practically possible. Moreover, if the freeze in the other country was provided in the framework of the criminal proceedings, in Russia the freezing of the assets will be carried out using the procedure of the legal assistance in criminal matters.
Measures taken to implement the recommendations since the adoption of the second progress report	Clause 7.4. of 115-FZ envisages the following mechanism Cl. 1 of Article 7.4 – grounds for entering an organization or an individual in the list of organizations and individuals that according to available information are involved in extremist activities or terrorism, *inter alia* if the authorized agency receives from a foreign competent authority any information concerning involvement of the organization or the individual in terrorist activities (including financing of terrorism).
Recommendation of the MONEYVAL Report	*Russia should establish an effective and publicly known procedure for dealing with de-listing requests and for dealing with requests to unfreeze in a timely manner the funds or other assets of entities that have been inadvertently affected by a freezing action.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The aforementioned Draft Law "On Amendments to Particular Legislative Acts of the Russian Federation in the Sphere of Anti Money Laundering and Combating the Financing of Terrorism", which is being considered by the State Duma, contains de-listing provisions and grounds for de-listing. The procedure for excluding from the Terrorist List will be determined by the Russian Government following the adoption of the Law.
Measures taken to implement the recommendations since the adoption of the first progress report	Federal Law No.197-FZ dated 27.07.2010 that amended the AML/CAFT Law includes provisions that set forth the grounds for removal of the individuals and organizations from the List of the Institutions and Persons Known to be Related to Extremist Activities or Terrorism maintained by Rosfinmonitoring in accordance with Article 6 of the AML/CFT Law. Pursuant to sub-item 2.2 of Item 2 of Article 6 of the AML/CFT Law the grounds for de-listing include: 1) cancellation of a valid RF court decree on liquidation or prohibition of activities of an organization due to its association with extremist activities or terrorism and discontinuance of the proceedings; 2) cancellation of a valid RF court decision declaring an individual guilty in committing at least one of the crimes covered by Articles 205, 205.1, 205.2, 206, 208, 211, 220, 221, 277, 278, 279, 280, 282, 282.1, 282.2 и 360 of the Criminal Code of the Russian Federation, and termination of the criminal proceedings with regard of

	such individual on the grounds which give right for legal rehabilitation; 3) cancellation of a decision made by the RF Prosecutor General, by a subordinated prosecutor or by the federal executive agency in charge of state registration (or its local department/office) on suspension of activities of an organization due to instituting proceedings against it for extremist activities; 4) termination of a criminal case or criminal prosecution of an individual suspected or charged with commission of at least one of the crimes covered by Articles 205, 205.1, 205.2, 206, 208, 211, 220, 221, 277, 278, 279, 280, 282, 282.1, 282.2 and 360 of the Criminal Code of the Russian Federation; 5) removal of an organization or an individual from the lists of organizations and individuals associated with terrorist organizations or terrorists which are compiled by international anti-terrorist organizations or agencies authorized by them and recognized by the Russian Federation; 6) cancellation of convictions or court decision and decisions of other competent authorities of foreign countries with regard to organizations or individuals involved in terrorist activities which are recognized by the Russian Federation under international treaties/agreements signed by the Russian Federation; 7) documentary information on death of an individual included in the list of organizations and persons known to be related to extremist activities or terrorism; 8) documentary information on cancellation of conviction or expunging of record of conviction of an individual convicted for committing at least one of the crimes covered by Articles 205, 205.1, 205.2, 206, 208, 211, 220, 221, 277, 278, 279, 280, 282, 282.1, 282.2 and 360 of the Criminal Code of the Russian Federation. Also, on making a decision on the de-listing the decision on unfreezing of the person’s assets takes place, unless applicable law provides other.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ supplements Article 6 of the AML/CFT Law with clause 2.3 reading as follows: «2.3. Organizations and individuals who have been by mistake entered in the list of organizations and individuals, which according to available information are involved in extremist activities or terrorism, or who are subject to exclusion from the said list according to clause 2.2 of this article, but not excluded from the said list, should file with the authorized agency a written grounded application to take them off the list. The authorized agency should within ten business days after the day of receipt of the application, consider the application and take one of the following grounded decisions: on taking of the respective organization or individual off the said list; on dismissal of the application. The authorized agency should inform the applicant of the decision made. The applicant may appeal against the decision of the authorized agency in a judicial procedure.”
(Other) changes since the second	

progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation VI (Money/value transfer services)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Russia should consider implementing laws and regulations to ensure that postal operations are better aware of and in compliance with the AML/CFT requirements. Suggested improvements would include: (1) increased technical interface between postal branches to better detect suspicious transactions, (2) rules governing the volume and frequency of remittances permitted and (3) improved training of postal operators on AML/CFT. Given the size of the postal sector, Russia should also consider either increasing the capacity and quality of ROSCOM's compliance function or transferring supervisory and regulatory powers to another federal authority that is better equipped and trained to assess AML/CFT compliance.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	To improve AML/CFT work, Post of Russia has reorganized its internal control system. Responsibility for organizing and implementing internal control procedures for purposes of AML/CFT at Post of Russia is assigned to the Federal Postal Service Directorate. The Directorate's functions include monitoring postal money transfers, reporting transactions subject to mandatory control to Rosfinmonitoring, conducting internal audits of subordinated divisions – postal offices. Post of Russia has 82 Federal Postal Service Directorates in all constituent entities of the Russian Federation. All FPSDs were inspected by Roscomnadzor in the framework of the general supervision and Post of Russia in the course of internal audit procedures during 2007-2008. Based on the audit findings, the management of divisions received letters about detected violations and correctional measures needed. All 918 head postal offices have Internal Control Rules on postal money transfers adopted by Post of Russia Order dated 19 September 2007 No. 459-p and coordinated with Rossvyazokhrankultura (resolution dated 18 September 2007 No. 33/4458). The Rules are the main document regulating the responsibilities of personnel and officers for carrying out AML/CFT control. To ensure full compliance with Russian AML/CFT laws, a new edition of Post of Russia Internal Control Rules is being currently reviewed by and considered by ROSCOM.All postal offices have information materials about the requirement to identify natural persons upon accepting transfers equal to or exceeding the threshold amount set by the Law.

	In order to unify forms and pursuant to the Internal Control Rules customer identification requirements, Post of Russia issued Order No. 81-p dated 13 March 2007 approving new postal money transfer forms with the field where the transfer originator must enter his or her passport details. The forms are used in the postal office network upon accepting (paying out) money transfers at all postal offices and make it possible to identify the transfer originator as well as to record originator details in case of suspicious transactions. The replacement of old postal money transfer forms by the new ones was completed by April 2008. All postal offices are supplied with a regularly updated Terrorist List compiled by Rosfinmonitoring . Notably, at computerized postal offices (55 % of all POs) with data protection means this List is available in electronic form. Workplaces of employees of all 82 FPSDs – branches of Post of Russia, who are responsible for organizing AML/CFT control under the Internal Control Rules, are duly computerised ; they have special software with data protection means, which is used to report to Rosfinmonitoring any money transfers subject to mandatory control or suspicious transfers. During annual seminars for Post of Russia branches, officers of branches undergo additional training in AML/CFT and internal control rules, provided by Rosfinmonitoring and Roscomnadzor representatives as part of training events. Employees engaged in implementing the Internal Control Rules undergo annual training in matters of AML/CFT. A total of 128 training events took place in 2008. During this period training was provided for: postal service operators - 10515; postal office directors - 7,567; postal office deputy directors - 2,568; head postal office workers - 422; branch administration employees - 532; TOTAL: - 21604. In the first half of 2009 the central headquarters of Post of Russia set up a 6-person financial monitoring sector at the Department for Organization of Regional Work and Cooperation with Law Enforcement of the Postal Security Directorate. The unit is presently fully manned. At the same time, it is necessary to take into account the fact that the aforesaid training requirements set out in Rosfinmonitoring Order No. 256 also apply to organizations of federal postal service.

Measures taken to implement the recommendations since the adoption of the first progress report	In order to improve AML / CFT the Federal State Unitary Enterprise "Russian Post" reorganized the system of internal controls - the new Rules were approved, taking into account the changes in the legislation and regulations of Rosfinmonitoring. The responsibility for organizing and implementing the internal controls for AML / FT in the Federal State Unitary Enterprise "Russian Post" is delegated to the AFPS, whose functions include monitoring of postal money orders, directing the information on the controlled transactions in the Federal Financial Monitoring Service, holding the internal audit subordinate departments - post offices. Thus, in accordance with the Statement № 461-p in branches and post offices the specific officials responsible for the compliance with the internal control rules and programs to implement them are appointed. All post offices are provided with a regularly updated list of organizations and individuals against whom there is an evidence of their involvement in the extremist activities. Currently, in accordance with the Roskomnadzor recommendations on 10.08.2010 № SC-13 775 the Federal State Unitary Enterprise "Russian Post" is revising the Internal Control Rules (the Rules), taking into account the changes made to the Federal Law on 23.07.2010 № 176-FZ "On the amendments into the Federal Law "On combating the legalization (laundering) of the incomes from crime and financing any terrorism," and to the Russian Federation Code of administrative offences "and "The recommendations for the development the internal control rules of by the organizations performing operations with the monetary funds or other property to counteract the legalization (laundering) of incomes from crime and financing any terrorism", approved by the Federal Government on 10.06.2010 № 967-p. Roskomnadzor examined a new draft of the Internal Control Rules of the Federal State Unitary Enterprise "Russian Post" taking into account the recent changes in the legislation in the sphere of AML / CFT. By a letter dated 27.05.2011 № 11 047 SC Roskomnadzor sent to the Federal State Unitary Enterprise "Russian Post" the comments and the suggestions to bring the Rules into line with the legislation in the sphere of AML / FT. In 2010-2011 Roskomnadzor took the series of measures to prevent systematic violations by the Federal State Unitary Enterprise "Russian Post" requirements of the AML/CFT Law, as well as to increase the degree of responsibility, one of which may include a routine inspection of all 84 branches of the Federal State Unitary Enterprise "Russian Post" held by Roskomnadzor in June - July 2010. Rosfinmonitoring in the Central Federal District 02.11.2010 issued a ruling on administrative punishment for the Federal State Unitary Enterprise "Russian Post". In total in 2010 2596 training events were held. Moreover, in accordance with the "Regulations on the requirements to prepare and train staff of the organizations performing the operations with monetary funds or other assets in order to counteract the legalization (laundering) of incomes from crime and financing any terrorism," approved by order of the Federal Financial Monitoring Service №203. The Federal State Unitary Enterprise "Russian Post" holds the special training for public officers and other employees to be educated in the AML /CFT in the form of the targeted briefings conducted by the organizations authorized by Rosfinmonitoring. In 2010, in such training participated around 1800 employees participated in such training. During 2010 the territorial authorities of Roskomnadzor issued 97 orders to eliminate

	the identified violations. In the 1st semester of 2011 Roskomnadzor inspected 1618 units of the Russian Post.
Measures taken to implement the recommendations since the adoption of the second progress report	In accordance with statute of the Government of the Russian Federation of 30.06.2012 No. 667, order of FGUP Post of Russia of 14.08.2012 No.215-p approves and brings into force from 16.08.2012 the new version of the Internal Control Regulations of FGUP Post of Russia prepared with account of amendments and additions introduced to the legislation of the AML/FT legislations of the Russian Federation. To clarify the issues associated with the above amendments and additions to the legislation and the Internal Control Rules and with practical application thereof by postal staff in implementation of daily control of operations with funds and other property, information letters and respective recommendations were regularly sent to structural subdivisions. In 2012, a total of 19 such directive letters concerning various aspects of AML/FT activities were sent to branches. In implementation of procedures of mandatory and internal control of operations with funds and other property, 29,332 reports on operations that are subject to control (in 2011 – 23,462 reports) were submitted to Rosfinmonitoring in 2012. Based on findings of the audit held in May-June 2012 by Roskomnadzor regarding compliance of FGUP Post of Russia and its branches with the procedure for registration, storage and provision of information about money transactions that are subject to control according to legislation of the Russian Federation, as well as for organization of internal control, instructions and recommendations related to taking necessary corrective measures to enhance internal system control performance were submitted to structural subdivisions of FGUP Post of Russia. Besides, results of the audit were intentionally analyzed and discussed during the additional VC briefing held by FGUP Post of Russia in August 2012 with special executives and administrative staff of branches and post offices that should receive AML/FT training according to order of Rosfinmonitoring No.203. In October 2012, special executives of FGUP Post of Russia received additional training on certain aspects of AML/FT organization as part of the annual workshop attended by Roskomnadzor and Rosfinmonitoring representatives. In 2012, in carrying out of various training events envisaged by the AML/FT legislation, a total of 98,026 employees of FGUP Post of Russia completed video conference training including 46,723 postal service operators, 32,404 directors and 8,186 deputy directors of post offices, 8,081 employees of general post offices and 1,484 employees of UFPS branches, as well as 1,148 special executives and employees of branch offices and general post offices (in 2011 – 68 407 employees including 34,066 postal service operators, 24,743 directors and 5,201 deputy directors of post offices, 3,558 employees of general post offices and 839 employees of UFPS branches of FGUP Post of Russia). Current analysis and provided statistics indicate enhanced performance of FGUP Post of Russia in the sphere of AML/FT as regards detection of operations that are subject to control and communication thereof to the authorized agency as well as employees training for AML/FT purposes.

	In 2012, as part of internal control measures, subdivisions of FGUP Post of Russia continued their work in detection of cash-out schemes that employ postal channels. The work was carried out in collaboration with agencies of the Federal Security Service of Russia and the Ministry of Internal Affairs of Russia, which allowed preventing illegal activities of more than 30 commercial organizations that performed cash-out activities through post offices of UFPS of the city of Moscow and the Moscow Region. By its order of 14.08.2012 No.215-p, FGUP Post of Russia approved and brought into force new Internal Control Regulations. The Regulations were published in pursuance of statute of the Government of Russia of 30.06.2012 No.667 On Approval of the Requirements to Internal Control Regulations Elaborated by Organizations Performing Operations with Funds and Other Property. To enhance efficiency and increase responsibility for organization and execution of internal control in branches, FGUP Post of Russia with its order of 08.04.2014 No.101 ratified new internal control regulations based on legal changes and regulations of Russia that took effect in 2013. Today, according to the new internal control regulations, in branches of FGUP Post of Russia (UFPS), organization and implementation of internal control for AML/FT purposes is the responsibility of deputy directors (of economic affairs) of branches rather than of directors of postal security divisions as it used to be before. In addition to earlier AML/FT measures, FGUP Post of Russia took a number of measures to improve the internal control system. Internal control system was reorganized in the administrative office of FGUP Post of Russia and in branches. Responsibility for organization and control of compliance with requirements of legislation on combating of money laundering and financing of terrorism, observation of the Internal Control Regulations were delegated from postal security units to financial structural subdivisions. The new version of the Internal Control Regulations that takes in account recent (as of the date of ratification) additions and amendments to AML/FT legislation of the Russian Federation as well as recommendations of Rosfinmonitoring and Roskomnadzor has been in effect since April 2014. In the course of implementation of the new Internal Control Regulations and with account of the requirements of Statute of the Government of the Russian Federation of 05.12.2005 No.715 Concerning Qualification Requirements to Special Executives in Charge of Compliance with Internal Control Regulations and Internal Control Programs as well as Requirements to Preparation and Training of Staff, Identification of Client and Beneficiaries for AML/FT purposes, new special executives of branches of FGUP Post of Russia in charge of implementation of the Internal Control Regulations were appointed in April – May 2014. These persons completed preparations in the form of target briefings in educational institutions authorized by Rosfinmonitoring. Workstations of special executives in all branches are connected to personal accounts at Rosfinmonitoring web-site. This allows for generation and delivery to Rosfinmonitoring of duly executed reports on operations that are subject to control, for automated control of correct filling-out of report boxes as well as for timely receipt of updated information about the List of Organizations and Individuals, Which According to Available Information are Involved in Extremist Activities.

	In February 2014, new postal order forms were introduced to include additional details that meet recent legal requirements to client identification. FGUP Post of Russia holds annual workshops for special executives of branches with participation of representatives of Roskomnadzor and/or Rosfinmonitoring to communicate and discuss relevant issues in the sphere of AML/FT activities. In 2011-2014, Roskomnadzor adopted a number of measures aimed both at prevention of systematic violations by FGUP Post of Russia of requirements of Federal Law No.115-FZ and at enhancing responsibility. An example of such measures is preparation by Rosfinmonitoring and Roskomnadzor of answers to "standard questions" concerning application of AML/FT legislation, agreed viewpoint on which was communicated by Roskomnadzor to its territorial units and FGUP Post of Russia in order to eliminate misunderstanding in the course of further inspection activities. In 2014, Roskomnadzor elaborated new "Recommended practices of governmental control (supervision) of compliance of federal postal communication organizations with AML/FT legislation" and sent the recommended practices for implementation by employees of territorial agencies of Roskomnadzor. Based on the system of indicators used to assess supervision of compliance of non-credit institutions with AML/FT legal requirements that was developed by Rosfinmonitoring in consultation with supervisory agencies (approved by letter of Rosfinmonitoring, FFMS of Russia, Roskomnadzor and FKU Assay Chamber of Russia of 29.07.2011 No. 01-01-26/2098/11-DP-04/19675/SS-16260/40002/1099), Rosfinmonitoring performs semi-annual assessment of supervision efficiency. According to the Agreement on Cooperation between Rosfinmonitoring and Roskomnadzor of 31.08.2010, in order to secure consistent approach to administrative proceedings, and with account of established judicial and other practices in application of new provisions of Federal Law of 07.08.2001 No.115-FZ, Roskomnadzor in its letter of 07.11.2013 No. 07PA-31743 forwarded to territorial agencies the following documents meant for practical application: 1) recommendations concerning classification of actions (omissions) under respective parts of article 15.27 of the Administrative Offence Code of the Russian Federation and imposition of punishment based on the standpoint of Rosfinmonitoring; 2) judicial decisions and standpoint of Rosfinmonitoring on the issues arising in application of provisions of Law by law enforcement officials. Recommendations and judicial practice are distinguished by a significant and important aspect not just in terms of securing consistency in application of legislative regulations including enforcement of provisions of the Administrative Offence Code of the Russian Federation related to bringing relevant entities to responsibility, but should also contribute to unconditional implementation of the principle of inevitability of punishment and unavoidability thereof upon commitment of an administrative offence. Recommendations and judicial practice are also designed to establish the concept of execution of service documents, practice in the application and interpretation of legal provisions.
Recommendation of the	*Russia should find ways to ensure that Roscomnadzor has sufficient powers to correct deficiencies found in Post of Russia's AML/CFT compliance.*

MONEYVAL Report	
Measures reported as of 23 September 2009 to implement the Recommendation of the report	As pointed out previously, the State Duma is considering Amendments in Administrative Code that would grant Roscomnadzor powers to prosecute administratively the reporting institutions in breach of AML/CFT laws. Additionally, the Federal Service for Telecommunication, Information Technologies, and Mass Communications is considering the possibility of establishing a separate type of checks of federal postal services for the procedure for recording, storing and disclosing information and organizing internal controls. It is also considering the adoption of the Administrative Regulations on the implementation of the state function to perform state supervision and control over compliance of federal postal services with the procedure for recording, storing and disclosing information and organizing internal controls. The relevant enactments are expected to be passed after the adoption of the said Law.
Measures taken to implement the recommendations since the adoption of the first progress report	According to the Federal Law No. 176-FZ on 23.07.2010 Roskomnadzor is empowered to impose administrative charges in accordance with Art. 15.27 of the AC on organizations-violators of the legislation of AML / FT and its officials. On January 24, 2011, it began to exercise its powers. Roskomnadzor have sent to all its territorial authorities the "Guidelines for the qualification of actions (or inaction) according to the relevant parts of Article 15.27 of the Administrative Code (Part 1 - 4) on the imposition of an administrative penalty, as well as applying Article 1.7 of the Administrative Code" (letter on 11.03.2011 No. KA-04457).
Measures taken to implement the recommendations since the adoption of the second progress report	Order of the Ministry of Telecom and Mass Communications of the Russian Federation of 29.08.2011 No.213 approves the Administrative Procedure for execution by the Federal Service for Supervision in the Sphere of Communications, Information Technology and Mass Communications of governmental control and supervision in the sphere of communication (Roskomnadzor) regarding compliance of federal postal communication organizations with the procedure for registration, storage and provision of information about money transactions that are subject to control according to legislation of the Russian Federation, as well as organization of internal control. State duties should be executed by territorial agencies of Roskomnadzor by means of auditing the compliance of federal postal communication organizations with the procedure for registration, storage and provision of information about money transactions that are subject to control according to legislation of the Russian Federation. Execution of state duty should result in prevention, detection and suppression (ин means of audit) of violations of mandatory provisions of AML/FT legislation of the Russian Federation to the extent falling within cognizance of Roskomnadzor. Control and supervision should be performed by territorial agencies of Roskomnadzor in the form of scheduled and extraordinary audits held as desk reviews and on-site inspections. Provision is made for annual scheduled audits of FGUP Post of Russia and its branches. It has also been established that on-site audits comprise comprehensive

	inspection of AML/FT requirements, request and collection of information. In 2012, 84 scheduled audits (and 26 extraordinary audits) of the legal entity FGUP Post of Russia and its branches in the territory of all constituents of the Russian Federation were held. Based on the results, 109 instructions concerning elimination of detected non-compliances were issued. In 2012, the number of administrative fines imposed on federal postal communication organizations increased significantly. This being the case, penal sanctions were imposed on both executives and the legal entity itself. 135 decisions (resolutions) were delivered in administrative cases. Pursuant to article 15.27 of the Administrative Offence Code of the Russian Federation, the legal entity FGUP Post of Russia was brought to administrative responsibility, administrative penalty in the form of penal sanctions and cautions were imposed on 119 executives. Amount of administrative fines in 2012 constituted RUR1,611 thousand including RUR751 thousand imposed on executives, RUR860 thousand – on the legal entity (for reference – total amount of fines in 2010 constituted RUR655 thousand). In 2013, subject to the Policy Plan of Roskomnadzor, all territorial agencies of Roskomnadzor audited compliance of branches of FGUP Post of Russia with the requirements of AML/FT legislation. 84 scheduled and 24 extraordinary on-site inspections were held. Violations were detected in FGUP Post of Russia and in 39 branches of FGUP Post of Russia (in 2012 – in 66). Number of branches where violations were detected decreased. Number of audited (including those audited as part of control measures) postal establishments (post offices, general post offices, UFPS) constituted 6,362. Following the audits, 60 instructions concerning elimination of detected non-compliances were issued to FGUP Post of Russia in 2013 (which is 49 less than in 2012). For violation of AML/FT legislation, 160 administrative offence reports were issued. 107 decisions (resolutions) were delivered in administrative cases. Pursuant to article 15.27 of the Administrative Offence Code of the Russian Federation, 103 executives were brought to administrative responsibility, with administrative penalty in the form of penal sanctions and cautions imposed. Amount of administrative fines imposed constituted RUR545 thousand, which is 3 times less than in 2012 (RUR1,630 thousand). Roskomnadzor analyzed attributes of unusual transactions (deals) in execution by branches of FGUP Post of Russia of postal transfers of money and in execution by mobile radio and telephone services providers of payments and operations with monetary funds. Based on analysis results, proposals were forwarded to Rosfinmonitoring to specify and extend the list of attributes of probable money laundering through the services of postal communication and to introduce respective amendments to order of Rosfinmonitoring of 08.05.2009 No.103. Rosfinmonitoring introduced respective amendments to order of Rosfinmonitoring No.103. Clause 5 «f» of the Radio Frequency Service Regulation approved by statute of the Government of 14.05.2014 No.434 Concerning the Radio Frequency Service stipulates as part of the service authorities *inter alia* participation (under the procedure established by Roskomnadzor) in exercising of the service duties including such participation by means of assessment of compliance of communication service providers with the legislation of the Russian Federation concerning combating of money laundering and financing of terrorism.

Recommendation of the MONEYVAL Report	*Russian law enforcement bodies should place a higher priority on investigating the existence of alternative remittance systems to better assess the size and the nature of ML/TF threat posed by illegal MVT occurring within and through Russia.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The work of upgrading the practice of identifying, investigating and terminating the activities of illegal alternative remittance systems was continued. In carrying out this task Russia used positive experience in the field contained in mutual evaluation reports of FATF member states. To achieve the goal of combating illegal alternative remittance systems the mechanism and functions of the AML/CFT Interagency Commission were put to more effective use. The new AML/CFT Interagency Commission format (approved in May 2009) has been expanded to include representatives (at the level of directors or deputy directors of structural units) of the MIA , MFA , Russian Ministry for Telecom, Information Technologies and Mass Communications, MoF , MoJ , Foreign Intelligence Service, Federal Security Service, Federal Drug Control Service, Rosfinmonitoring, Federal Tax Service, Federal Customs Service, FSFM, Federal Penitentiary Service, FISS, Rosstrakhnadzor, Roscomnadzor, and BoR . Authorized representatives of the following bodies may take part in the Interagency Commission with advisory vote : State Duma Security Committee and Financial Market Committee; Administrative Department of the Russian Government and Economics and Finance Department of the Russian Government; Russian Security Council Management ; Russian State Assay Chamber at the Russian Finance Ministry. Commission meetings are open for participation of the Prosecutor General of the Russian Federation, his deputies and other prosecutors at secondment . All the AML/CFT Interagency Commission's decisions are officially recorded and are binding. In accordance with Commission's decisions the law enforcement bodies on a regular basis share practice and experience of identifying and terminating the activities of "havala" type alternative remittance systems. In the time elapsed from adoption of the Russian report quite a number of experience-sharing events took place on the Commission's regular meetings: 7 cases were presented by MIA and 1 by Federal Drug Control Service. To better assess the size and the nature of ML/TF threat posed by illegal alternative remittance systems taking into account the size of the Russian territory, similar work was organised in all 7 Federal Districts. This work is carried out jointly by Interregional Departments of Rosfinmonitoring and local law enforcement bodies. Another approach taken in the field of combating illegal alternative remittance systems is giving constant attention to the development of legal MVT sector represented by Russian and international providers of cross-border wire transfer services. The volume of cross-border wire transfers conducted by legal MVT services increases

	every year. As the result of this tendency the share of “unofficial channels” of money transfers shrinks and the customers eventually chose official systems of money transfers. To attract customers legal MVT services focus on the following three aspects: they reduce their commission fees, extend the territorial coverage and make transfers faster and more reliable. The rate of commission fees is one of the most important criteria for customers when they make their choice. Presently, the commission fee is about 4-5% of the amount to be transferred, herewith the larger is the amount of transfer the lesser is the fee. During the last three years, the price of transfers was reduced practically in the whole price spectrum of amounts of transfers.
Measures taken to implement the recommendations since the adoption of the first progress report	The Interagency Commission has organized the study of the causes and factors contributing to emergence of illegal alternative money remittance systems (such as "hawala") within the framework of the Working Group "Issues Concerning Cooperation, Including Information-related, between the Federal Executive Authorities and the Bank of Russia in the Sphere of Combating Money Laundering and Terrorist Financing." Currently, relevant data is being gathered for further analysis in the future.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	FSB of Russia with the Prosecutor General's Office and the Russian Interior Ministry, pursuing the paragraph 5 of the Plan of the key actions for the improvement of the national AML / CFT system reviewed the CTF law enforcement practice, including the use of the alternative remittance systems. The review will be scheduled for publication in the Bulletin of Economic Security Service of the Federal Security Service of Russia.
Measures taken to implement the recommendations since the adoption of the second progress report	Earlier review “Concerning law enforcement practice of the Russian Federation in detection, prevention, suppression and investigation of crimes under article 205.1 of the Criminal Code of the Russian Federation as regards financing of terrorism” was published in the Collected Volume “Institute Works” (Institute of the Federal Security Service of Russia (Novosibirsk)). Institute of the Federal Security Service of Russia (Novosibirsk) completed its applied research called "Improvement of regulation in the sphere of financing of terrorism” (NIR Finansist). The research was ordered by the Executive Office of the National Anti-Terrorist Committee and the Economic Security Agency of the Federal Security Service of Russia. Proposals were elaborated to make amendments to legislation of the Russian Federation, particularly, to anti-terrorism legislation, to criminal law, to the Federal Law Concerning Banks and Banking Activities. Economic security units and anti-corruption units of internal affairs agencies are focused

	on suppression of activities of illegal alternative money remitters. In 2013, the MDESAC of the Ministry of Internal Affairs of Russia in consultation with the Anti-Terrorism Agency of the Federal Security Service of Russia terminated activities of the international organized criminal group comprising natives of Turkey and other states of Middle East who had been providing for market traders in Moscow since 2011. Cash payments, cashing-out, illegal money transfers to any state of the Middle East were carried out under the guise of payment for various goods and services using current accounts of 10 fly-by-night companies. Mutual settlements between transaction parties were based on the principles similar to those applied in the Hawala payment system that is popular in Islamic countries, which does not provide for physical transfer of money across national borders. As a result of illegal activity, over RUR7 billion were withdrawn to shadow turnover. Criminal case under part 2 of article 172 of the Criminal Code of the Russian Federation was initiated against participants of the organized group. Thus, we can speak about some manifestations which are qualified as illegal banking activity.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Order of the Ministry of Telecom and Mass Communications of the Russian Federation of 29.08.2011 No.213 approves the Administrative Procedure for execution by the Federal Service for Supervision in the Sphere of Communications, Information Technology and Mass Communications of governmental control and supervision in the sphere of communication (Roskomnadzor) regarding compliance of federal postal communication organizations with the procedure for registration, storage and provision of information about money transactions that are subject to control according to legislation of the Russian Federation, as well as organization of internal control. State duties should be executed by territorial agencies of Roskomnadzor by means of auditing the compliance of federal postal communication organizations with the procedure for registration, storage and provision of information about money transactions that are subject to control according to legislation of the Russian Federation. Execution of state duty should result in prevention, detection and suppression (ин means of audit) of violations of mandatory provisions of AML/FT legislation of the Russian Federation to the extent falling within cognizance of Roskomnadzor. Pursuant to the requirements of the Administrative Procedure, control and supervision should be performed by territorial agencies of Roskomnadzor in the form of scheduled and extraordinary audits held as desk reviews and on-site inspections. The Administrative Procedure makes provision for annual scheduled audits of FGUP Post of Russia and its branches. In 2012, 1 scheduled audits (and 26 extraordinary audits) of the legal entity FGUP Post of Russia and its branches in the territory of all constituents of the Russian Federation were held. In the end of the year, 109 instructions concerning elimination of detected non-compliances were issued. In 2012, the number of administrative fines imposed on federal postal communication organizations increased significantly. This being the case, penal sanctions were imposed on both executives and the legal entity itself. For violation of AML/FT legislation, 128 administrative offence reports were issued, 135 decisions (resolutions) were delivered in administrative cases. Pursuant to article 15.27 of the Administrative Offence Code of the Russian Federation, the legal entity FGUP

	Post of Russia was brought to administrative responsibility, administrative penalty in the form of penal sanctions and cautions were imposed on 117 executives. Amount of administrative fines in 2012 constituted RUR1,611 thousand including RUR751 thousand imposed on executives, RUR860 thousand – on the legal entity (for reference – total amount of fines in 2010 constituted RUR655 thousand).

Special Recommendation VII (Wire transfer rules)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Russia should amend the current AML/CFT regime to address the following deficiencies i) the definition of originator information may well be sufficient in the context of the Russian payment system framework, but it does not fully cover all requirements set by the FATF, ii) incoming cross-border wire transfers are not covered by a requirement to adopt effective risk based procedures for incomplete originator information, and this vulnerability is not mitigated by the argument (as provided by the authorities) that most incoming cross-border wire transfers originate in countries that are largely compliant with FATF recommendations, iii) the BoR should provide specific guidance to credit institutions regarding the application of wire transfer regulations to batch transfers, iv) Russia should develop rules requiring financial institutions to apply a risk-based procedure for wire transfers that lack full originator information, and v) as a matter of effective implementation, if Russia amends the current law to include incoming cross-border wire transfers, Russian authorities will need to reconsider the current blanket requirement to simply refuse all transactions without full originator information as this could theoretically result in a complete halt to all incoming cross-border wire transactions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	On June 3, 2009 Federal Law No. 121-FZ was adopted, providing that full originator information accompany money wire transfers, bringing the issue into compliance with FATF Standards. At the same time, pursuant to the requirements in item 3.1 of Article 7 of the AML/CFT Law, the BoR issued Directive dated 22 January 2008 No. 1964 "On amendments to the BoR Provision dated 3 October 2002 No. 2-P 'On non-cash payments in the Russian Federation' " and BoR Directive dated 22 January 2008 No. 1965 "On amendments to the BoR Provision dated 1 April 2003 No. 222-P 'On the procedures of non-cash payments by natural persons in the Russian Federation' ", which provide for practical implementation of the existing legislative requirements to accompany wire transfers with the full originator information .
Measures taken to implement the recommendations since the adoption of the first progress	As it follows from Article 7.2 of the AML/CFT Law the requirement that a wire transfer must be accompanied by the relevant information on the payer also applies to the "incoming" transfers. In the absence of the information on the payer the credit institution should refuse to comply with the instructions of the payer. In the absence of the information on the payer in a received wire transfer , if the employees of a credit institution, in which a bank account of recipient is opened

report	suspect that this operation is for the purpose of the legalization (laundering) of incomes of crime or financing any terrorism, a credit organization should send the information to the designated authority on the operation no later than in one business day following the date of the establishment that the transaction is suspicious. Pursuant to provisions of Art. 7.2. of the AML/CFT Law, in the absence of information on the payer in the settlement or other document or in a postal communication containing the payer's order, or non-receipt of such information by any other means, the credit institution or organization of the federal postal service is required to refrain from executing the payer's order. The requirement of the Federal Law № 121-FZ on money transfers to be accompanied by the information on the payer in accordance with the FATF standards is implemented in the Bank of Russia on 13.05.2011 № 2634-U "On making the amendments to the Annex 4 of the Statement of the Bank of Russia on 03.10. 2002 № 2-P "On the non-cash transactions in the Russian Federation" and the ruling of the Bank of Russia on 26.08.2009 № 2281-U "On the amending the Statute of the Bank of Russia on April 1, 2003 № 222-P "On the regulation of non-cash payments by individuals in the Russian Federation. "
Measures taken to implement the recommendations since the adoption of the second progress report	Article 7.2 of Federal Law No.115-FZ stipulates that the credit institution where the payer opens its banking account should in execution of noncash payments against the payer's order at all stages of execution thereof secure control of availability, completeness, delivery as part of accounting documents or otherwise, correspondence to data available to the credit organization, as well as storage, of the following information: 1) about payer – individual, private entrepreneur or individual engaged in private practice in accordance with legislation of the Russian Federation: surname, name, patronymic (unless legislation or national tradition requires otherwise), number of banking account, taxpayer identification number (if any) or residential (registration) address or address of the place of stay; 2) about payer – legal entity: name, number of banking account, taxpayer identification number or foreign organization code. If the accounting or other document that constitutes the payer's order does not contain the above information, or if the credit organization fails to receive such information otherwise, the credit organization where the payer's banking account is opened should be obligated to refuse fulfillment of the payer's order. The credit institution servicing the payer in execution of money transfers against orders of individuals without opening banking accounts, and the federal postal communication organization in execution of postal transfers of money, should at all stages of execution thereof secure control of availability, completeness, delivery as part of accounting documents, postal items or otherwise, correspondence to data available to the credit organization or the federal postal communication organization, as well as storage, of the following information: 1) about payer – individual, private entrepreneur or individual engaged in private practice in accordance with legislation of the Russian Federation: surname, name, patronymic (unless legislation or national tradition requires otherwise), unique assigned operation number (if any), taxpayer identification number (if any) or residential

	(registration) address or address of the place of stay; 2) about payer – legal entity: name, unique assigned number (code, password) of operation, taxpayer identification number or foreign organization code. Besides, Federal Law No.110-FZ clearly forbids transfers between two non-personified means of payment owned by individuals.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

Recommendation VIII (Non-profit organizations)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Russia should undertake a comprehensive review of the NPO system, as foreseen by Special Recommendation VIII.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Pursuant to Russian Presidential Order dated 14 July 2008 No. 1079, the functions of state control of NPO activity have been transferred from Rosregistration, which was liquidated, directly to the Ministry of Justice. Besides these state control functions, the Ministry of Justice also exercises powers in the sphere of legal regulation of the NPO sector and developing government policy in this sphere. Between July 2008 and March 2009, the Ministry of Justice established the Department on NPO Affairs, with the territorial branches established in all constituent entities of the Russian Federation. The newly established system has just started active operation.
Measures taken to implement the recommendations since the adoption of the first progress report	The Russian Ministry of Justice and its territorial authorities monitor the compliance of the activities of non-commercial organizations, including the branches of international organizations and foreign non-governmental organizations, public associations, political parties and religious organizations, branches and representative offices of international organizations, foreign non-governmental organizations with their statutory goals and objectives as well as their compliance with legislation of the Russian Federation As on 01.04.2011 there were 220 986 non-profit organizations registered in the Russian Federation:

	-111 540 (50.4%) are public associations; -24 180 (10.9%) religious organizations, and 5 representative offices of foreign religious organizations that were opened in the Russian Federation; -84 660 (38.3%) non-profit organizations of other organizational forms; -7 political parties with 562 regional and 20 local offices (0.2%); -17 branches of international and foreign organizations. The register of branches and representative offices of international organizations and foreign non-governmental organizations provide information about 243 divisions, including about 188 offices and 55 branches of such organizations. In the first semester of 2011 the Ministry of Justice of Russia and its territorial offices was holding: -1459 activity inspection of public associations (2010 - 3385)); -730 inspections of religious organizations (2010 - 1967); -1189 audits of nonprofit organizations. According to the results of the nonprofit organizations audits, as well as the results of the systematic monitoring of the compliance with the non-profit organizations requirements established by law and other mandatory in the first semester of 2011 the Ministry of Justice of Russia and its territorial bodies: 1) to the governing bodies of public associations were made 13 150 written warnings and representations (in 2010 - 27 819) 2) to the governing bodies of religious organizations were made 2242 written warnings (in 2010 - 4012 warnings 3) to the address of the governing bodies of nonprofit organizations were sent 10 345 warnings (in 2010 - 22 812 warnings) 4) in connection with the identified violations of the law (primarily related to the failure of providing a statutory quarterly reporting) the heads of branches (offices) of foreign non-governmental organizations got 16 written warnings (in 2010 – 22).
Measures taken to implement the recommendations since the adoption of the second progress report	In 2012, judicial authorities received 152,539 activity reports and reports on continuation of activities of non-profit organizations in accordance with article 29 of Federal Law of 19.05.1995 No.82-FZ On Public Associations and clauses 3 – 3.1 of article 32 of Federal Law of 12.01.1996 No.7-FZ On Non-Profit Organizations (in 2011 – 139,177, +8.8 %) The number of non-profit organizations that submitted their reports constitutes 69.4 % o the total amount of registered non-profit organizations bound to submit such reports. In pursuance of the requirements of legislation of the Russian Federation, to secure public financial transparency of non-profit organizations, the Ministry of Justice of Russia approved order of 07.10.2010 No.252 On the Procedure for Publication in the Internet of Activity Reports and Reports on Continuation of Activities of Non-Profit Organizations. Data Portal of the Ministry of Justice of the Russian Federation for non-profit organizations "NPO Portal" (http://unro.minjust.ru/) was launched on November 2, 2010. The Portal is designed to secure online presentation of information on registered non-profit organizations in electronic form, reference data for non-profit organizations

	and generation of non-profit organization activity reports for public access. In 2012, 53,882 reports of non-profit organizations (+19.5%) were published on the NPO Portal. In implementation by the Ministry of Justice of Russia of the special procedure for state registration of non-profit organizations, which involves legal examination of constituent document, emphasis is placed on compliance with statutory limitations for certain categories of individuals (organization) to act as founders of non-profit organizations. Thus, pursuant to provisions of clause 2 of article 15 of Federal Law of 12.01.1996 No.7-FZ On Non-Profit Organizations, the founder of non-profit organization may not be the person that is in the list according to clause 2 of article 6 of Federal Law of August 7, 2001 No. 115-FZ "On anti-money laundering and combating the financing of terrorism". All territorial agencies of the Ministry of Justice of Russia have access to the List of organizations and individuals that according to available information are involved in extremist activities published on the official website of Rosfinmonitoring. In 2012 – February 2013, 5 persons whose data are in the List were detected among founders (members) of non-profit organizations, violations were eliminated with relevant measures adopted. The Ministry of Justice of Russia and its territorial agencies perform control of compliance of activities of non-profit organizations including divisions of international organizations and foreign non-profit non-governmental organizations, public associations, political parties and religious organizations, branches and representative offices of international organizations, foreign non-profit organizations with their statutory goals and objectives and of compliance of the above organizations with the legislation of the Russian Federation. As of April 1, 2014, 222,984 non-profit organizations were registered in the Russian Federation including: - 102,670 (46%) public associations; - 26,744 (12%) religious organizations and 3 representative offices of foreign religious organizations established in the Russian Federation; - 89,719 (40.2%) non-profit organizations of other business legal structure; - 77 political parties, 3,724 regional offices of political parties and 20 other structural divisions of political parties; - 13 divisions of international and foreign organizations. The register of branches and representative offices of international organizations, foreign non-profit non-governmental organizations contain information about 199 structural subdivisions including 142 representative offices and 57 branches. In 2013, the Ministry of Justice of Russia and its territorial agencies completed 6,393 audits of activities of non-profit organizations. Based on completed audits of activities of non-profit organizations and on the results of systematic monitoring of fulfillment by non-profit organizations of their legal obligations, in 2013, the Ministry of Justice of Russia and its territorial agencies issued 43,168 written instructions concerning elimination of detected non-compliances to

	executive bodies of non-profit organizations. In 2013, with regard to non-profit organizations (NPO) and their executive bodies, 6,460 administrative offence reports were issued, 8,237 statements of claim for winding-up (discontinuation of activities) of NPO were taken to court. With a view to detected violations of the legislation of the Russian Federation (mainly associated with delayed submission of quarterly reports according to legislation), 207 written cautions were issued to chief executives of branches (representative offices) of foreign non-governmental organizations; information on 24 branches (representative offices) was taken off the register. In 2013, based on detection of manifestations of extremism in activities of public associations and religious organizations, judicial agencies issued 9 cautions to executive bodies of the above organizations; under court decision, 1 religious organization and 1 public association were taken off the Integrated State Register of Companies under the procedure stipulated in article 9 of Federal Law of July 25, 2002 No.114-FZ On Countering Extremist Activity. Also, the Ministry of Justice of Russia detects person involved in extremist activities among founders (members) of political parties and structural subdivisions of political parties. Thus, in 2013, the Ministry of Justice of Russia and its territorial agencies detected 18 extremists among members of 15 non-profit organizations with various business legal structures operating in the territory of 11 constituents if the Russian Federation (in 2012 – 6 extremists). The Ministry of Justice of Russia is responsible for keeping the federal list of extremist materials, the list of public associations and religious organizations, other non-profit organizations, in relation to which there exist court decisions that took legal effect concerning winding-up or prohibition on activities on the grounds envisaged by the legislation of the Russian Federation as well as the list of public associations and religious organizations whose activities were suspended on the ground of pursuance by such organizations of extremist activities. As of May 8, 2014, the above list comprises 2,308 materials, with 111 entered in the list after January 1, 2014; 34 organizations were wound-up as a result of detection of attributes of extremism and laying by prosecution agencies of claim to wind-up such organization. Federal Law of July 17, 2009 No.170-FZ Concerning Amendment of Federal Law Concerning Non-Profit Organizations introduced amendments to Federal Law of January 12, 1996 No.7-FZ Concerning Non-Profit Organizations (hereafter – Federal Law No.170-FZ, Federal Law No.7-FZ), which allow for reducing potential risks of employment in the territory of the Russian Federation of non-profit organizations for the purposes of financing of terrorism, extremism and separatism along with simultaneous liberalization of the legislation of the Russian Federation in the sphere of non-profit organizations as well as for increasing the degree of openness and transparency of the procedure for registration and control of activities of non-profit organizations. In 2012, judicial authorities received 163,508 activity reports and reports on continuation of activities of non-profit organizations in accordance with article 29 of Federal Law of May 19, 1995 No.82-FZ On Public Associations and clauses 3 – 3.1 of

	article 32 of Federal Law No.7-FZ (in 2012 – 152,539). Published on the Data Portal of the Ministry of Justice of Russia concerning NPO activities (launched on November 2, 2010) were 242,274 reports of non-profit organizations (as of May 8, 2014), including 72,487 reports of non-profit organizations and 53 reports of structural subdivisions of international organizations, foreign NPO published in 2014. In 2013, representatives of the Ministry of Justice of Russia took part in 1,570 events held by non-profit organizations (in 2012 – 2,019 events). In 2013, judicial authorities received 163,508 activity reports and reports on continuation of activities of NPO in accordance with article 29 of Federal Law of May 19, 1995 No.82-FZ On Public Associations and clauses 3 – 3.1 of article 32 of Federal Law No.7-FZ. As of April 1, 2014, 222,984 non-profit organizations bound to report to the Ministry of Justice of Russia and its territorial agencies were registered in the Russian Federation. Average number of NPO that submitted their reports (as of May 8, 2014) constitutes 32,5% of the total number of registered non-profit organizations bound to submit such reports.
Recommendation of the MONEYVAL Report	*Russia should reach out to and engage with the NPO sector, to learn from the sector, to promote values and the like.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Implementation of this recommendation should be facilitated by the new Federal Law dated 17 July 2009 No. 170-FZ "On Amendments to the Federal Law 'On Non-profit Organizations", effective since 1 August 2009.
Measures taken to implement the recommendations since the adoption of the first progress report	To implement these provisions there is a work to establish a regular contact and feedback with the NPOs , provide a regular outreach to the sector aimed at preventing the misuse of NPOs NGOs for TF goals . In this regard: the possibilities of the Russian Ministry of Justice are used to work with NGOs during the recording, scheduled and unscheduled inspections; - the materials on FATF and EAG on the NPO sector are regularly posted on the sites of the Ministry of Justice and the Federal Financial Monitoring Service Russian; - the educational activities are regularly conducted with the participation of NGOs on the basis of the ITMCFM. ; - the intensive work with NGOs is made in the Federal Financial Monitoring Service's responsibility area, in cooperation with the regional offices of the Ministry of Justice in Russia; - the publication of the relevant materials is established in a number of Russian editions

	intended for NGOs, namely, the journal "Nonprofit organizations in Russia," and other editions.
Measures taken to implement the recommendations since the adoption of the second progress report	In 2012, the Commission for Development of Charity and Volunteering of the Public Chamber of the Russian Federation, with support of the Ministry of Justice of Russia and the Ministry of Economic Development and Trade of Russia conducted the 6th Russian National Competition of Public Reports of Non-Profit Organizations "Reference Point". Twenty winners were awarded commemorative diplomas. In 2012, specialists of the Ministry of Justice of Russia and its territorial agencies took part in 2,019 events held by public associations including those aimed at clarification of requirements of reporting legislation
Recommendation of the MONEYVAL Report	*The Russian authorities should set up a more formalized and efficient system that focuses on potential vulnerabilities and to share information to target abuse.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	A substantial measure within the context of continued work to create a more formalized and efficient system for detecting potential vulnerabilities of NPOs in terms of their possible abuse for TF are the consistent improvements to the structure and functions of the AML/CFT Interagency Commission. It is noteworthy that creation and operation of interagency commissions – "interagency outreach" - is viewed in FATF International Best Practices "Combating the Abuse of NPOs" (para 20) as one of the most effective tools for resolving the NPO TF related problems. It this connection it is important to point out that the new AML/CFT Interagency Commission format (approved in May 2009) has been expanded to include representatives (at the level of directors or deputy directors of structural units) of the MIA , MFA , Russian Ministry for Telecom, Information Technologies and Mass Communications, MoF , MoJ , Foreign Intelligence Service, Federal Security Service, Federal Drug Control Service, Rosfinmonitoring, Federal Tax Service, Federal Customs Service, FSFM, Federal Penitentiary Service, FISS, Rosstrakhnadzor, Roscomnadzor, and BoR . Authorized representatives of the following bodies may take part in the Interagency Commission with advisory vote : State Duma Security Committee and Financial Market Committee; Administrative Department of the Russian Government and Economics and Finance Department of the Russian Government; Russian Security Council Management ; Russian State Assay Chamber at the MoF. Commission meetings are open for participation of the Prosecutor General of the Russian Federation, his deputies and other prosecutors at secondment. In the course of performing AML/CFT functions, the Interagency Commission: a) makes decisions needed to organize coordination and improvement of cooperation of federal executive authorities in the AML/CFT sphere; b) creates, if necessary, working groups for timely preparation of AML/CFT proposals

	and determines the list of participants (as advised by federal executive bodies concerned, the BoR and other institutions), as well as objectives and working procedure of such groups; c) organises cooperation with federal executive authorities concerned, executive bodies of constituent entities of the Russian Federation, local self-government bodies, public associations and other organizations in matters within the competence of the Interagency Commission. To achieve these goals the Commission may request from abovementioned bodies information on issues falling within the Commission's competence and invite representatives of such bodies, associations and organizations (with the approval of their managers) for participation in the Commission's work. d) organizes preparation of informational, analytical and methodological materials and forecasts for purposes of current monitoring of effective AML/CFT efforts; e) conducts, if necessary, large scale meetings with the participation of representatives of the concerned executive authorities and institutions, who are not Commission members, and organizes special interagency seminars and conferences in order to share experience and relevant information; f) duly submits proposals to the Russian Government relating to matters within the Commission's competence, which require decision of the Russian Government; g) monitors implementation of the Commission's decisions within the competence and objectives of the Commission.
Measures taken to implement the recommendations since the adoption of the first progress report	In the implementation by the Russian Federation Ministry of Justice a special procedure of the state registration of nonprofit organizations, providing for a legal review of the foundation documents, special attention is held with the statutory limitations for certain categories of people (organizations), the founders of nonprofit organizations. Thus, according to the requirements of paragraph 2 of Article 15 of the Federal Law as of 12.01.1996 No.7-FZ "On noncommercial organizations" a person cannot be a founder of the nonprofit entity if he is included in the national terrorist list in accordance with paragraph 2 of Article 6 of the Federal Law as of 07.08.2001 No.115-FZ "On combating the legalization (laundering) of incomes from crime and financing any terrorism." All regional offices of the Ministry of Justice of Russia have an access to the posted on the official website of Rosfinmonitoring list of organizations and individuals against whom there is the information about their involvement in the extremist activity. In 2010, using data from the list, as well as other law enforcement data, 23 non-commercial organizations were denied state registration. The Federal Law as of 17.07.2009 No. 170-FZ "On the amending the Federal Law" On noncommercial organizations" introduced changes in the Federal Law as of 12.01.1996 № 7-FZ" On noncommercial organizations "(hereinafter - the Law No. 170-FZ Law No. 7-FZ). Those changes reduce the potential risks of NPOs being used for the TF purposes in the Russian Federation, and simultaneously liberalize the legislation of the Russian Federation in the field of nonprofit organizations, increase the level of openness and transparency in the registration and control of non-profit organizations . In order to fulfill Item 3.2 of Article 32 of Federal Law No. 7-FZ, Order of the Ministry of Justice of Russia No. 252 of October 7, 2010 "On the Procedure for Posting in the Internet of Reports on Activities and Continuation of Activities of Non-Profit

	Organizations" (entered into force November 2, 2010) approved the procedure for posting in the Internet of reports on activities and continuation of activities of non-profit organizations. Order of the Ministry of Justice of Russia No. 72 of March 29, 2010 "On Approval of the Reporting Forms for Non-Profit Organizations" simplified and streamlined reporting forms for non-profit organizations. Based on the 2009 reporting data, the number of non-profit organizations submitting reports on time increased by 20 percent compared with 2008 and stood on average for Russia at 53 percent, with some regions showing more than 80 percent of non-profit organizations submitting reports on continuation of activities. The Russian Ministry of Justice regularly cooperate with national public organization Association of Lawyers of Russia and the Public Chamber of the Russian Federation. Representatives of the Department of Non-Profit Organizations Affairs have participated in meetings and conferences held with the Committee of the Public Chamber of the Russian Federation for Promotion of Charitable Activities and Improving the Legislation on NPOs dedicated to issues of interaction between the state and civil society in the field of charitable activity. The territorial bodies of the Russian Ministry of Justice devote much of their attention to interaction with non-profit organizations. Since the establishment of territorial bodies of the Russian Ministry of Justice, they have participated in more than 300 such events, a significant number of which was organized on the initiative of the Ministry of Justice. The holding of thematic workshops dedicated to explanation of the procedure and deadlines for reporting by non-profit organizations has become traditional. Moreover, to encourage greater participation of non-profit organizations, such forms as a contest for the best report filed by a non-profit organization are used. As a rule, among the participants of such workshops and conferences are representatives of the tax, local and other relevant authorities, whose involvement only enhances their effectiveness. In order to create a more formalized and effective system for detecting potential vulnerabilities in NPOs in terms of their possible use for TF purposes, regular improvements are made to the structure and functions of the Interagency Committee for combating money laundering and terrorist financing (IC). For example, a new provision on the IC was approved by Rosfinmonitoring's Order No. 336 of Dec 8, 2009 and federal ministers, heads of federal services, which has increased the credibility of the IC and contributes to more rapid implementation of decisions.
Measures taken to implement the recommendations since the adoption of the second progress report	
Recommendation of the	*Existing rules should be fully implemented.*

<table>
<tr><td>MONEYVAL Report</td><td></td></tr>
<tr><td>Measures reported as of 23 September 2009 to implement the Recommendation of the report</td><td>The relevant changes to the procedure for submitting annual financial reports by NPOs and conducting inspections of NPOs are reflected in the new Federal Law No 170-FZ dated 17 July 2009 “On Amendments to the Federal Law ‘On Non-profit Organizations’ ” (in force since 1 August 2009).</td></tr>
<tr><td>Measures taken to implement the recommendations since the adoption of the first progress report</td><td>
The Federal Law as of 17.07.2009 No. 170-FZ "On the amending the Federal Law" On noncommercial organizations" amended the forms and procedures of reporting for non-profit organizations according to the founders, property and funds and their source of income received by non-profit organization.
As of 01.01.2011, the Russian Federation registered 181 346 non-profit organizations that have the obligation to report to the Russian Ministry of Justice and its territorial bodies.
50 819 nonprofit organizations have submitted their reports in accordance with paragraph 3 of Article 32 of the Federal Law "On noncommercial organizations".
69 947 nonprofit organizations have submitted their reports in the manner prescribed by paragraph 3.1 of Article 32 of the Federal Law "On noncommercial organizations".
The total number of submissions was 120 766 (66.6% of the total number of registered non-profit organizations which are obligated to report to the Ministry of Justice and its territorial bodies).
<table>
<tr><td></td><td>submitted</td><td>told about continuation of the activity</td></tr>
<tr><td>total</td><td>50 819</td><td>69 947</td></tr>
<tr><td>associations</td><td>25 091</td><td>39 475</td></tr>
<tr><td>non-commercial organizations</td><td>18 916</td><td>16 562</td></tr>
<tr><td>religious organizations</td><td>6 812</td><td>13 910</td></tr>
</table>
The same law introduced a duty for non-profit organizations to place their financial statements in the Internet, or provide for the publication in mass media.
In accordance with paragraph 3.2 of Article 32 of Federal Law "On noncommercial organizations" non-profit organizations are required to place annually the information in the Internet or provide it to the media for publishing a report on its activity that was submitted to the authority or its territorial body (for non-profit organizations referred to in paragraph 3 Article 32) or a report on the continuation of its activity (for non-profit organizations referred to in paragraph 3.1 of Article 32).
The procedure and terms of a placement of these reports and messages is defined by the
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	Ministry of Justice of Russia. In order to implement the above mentioned provisions of the Federal Law "On noncommercial organizations" the Order of the Ministry of Justice of Russia as of 07.10.2010 No. 252 approved the procedure for the web reports about activity and reports on the continuation of non-profit organizations. To place such reports the Russian Ministry of Justice created a special information resource, which can be accessed through the sites of the Russian Ministry of Justice and its territorial bodies. By the Order of the Russian Ministry of Justice as of 17.03.2011 No. 81 guidelines for completing and providing to the Ministry of Justice and its territorial bodies of forms of documents containing reports on the activities of nonprofit organizations are approved. According to the order of placing of reports of non-profit organizations to the site is equal to its presentation on paper (in case of placement of the report or reports about the continuation to web additional presentation of a report or reports on the continuation to the Ministry of Justice of Russia or its regional office in paper form is not required). Currently, the web site contains 44 177 reports (20 812) and messages (23 365) for 2009 and 2010. Among them: total for 2009 - 4491, reports - 2048, messages - 2443, total for 2010- 39 686 reports - 18 764, messages - 20 922.
Measures taken to implement the recommendations since the adoption of the second progress report	
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	As of 01.01.2013, the departmental register of non-profit organizations of the Ministry of Justice of Russia contains information on 219,688 non-profit organizations including 104.9 thousand public associations, 25.5 thousand religious organizations, 87 thousand non-profit organizations with other business legal structure. In 2012, establishment of 18.3 thousand new non-profit organizations (+10% as compared to 2011) was registered. In 2012, 6.4 thousand audits of activities of non-profit organizations were held (in 2011 – 6.7 thousand). Based on audit results, and on findings of current monitoring of legal compliance of non-profit organizations, 45.7 thousand written cautions were issued to executive bodies of NPO, 5.6 thousand administrative offense reports were prepared, 8.9 thousand statements of claim for winding-up of NPO were taken to court.

Special Recommendation IX (Cross border declaration and disclosure)
Rating: Non compliant

Recommendation of the MONEYVAL Report	*Russia should implement all elements of an effective system to deter illegal cross border movements of currency.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	In order to eliminate the deficiencies detected by FATF, MONEYVAL and EAG experts during the Third Round Evaluation of the Russian AML/CFT system for compliance with FATF recommendations, the Federal Customs Service (FCS) conducted work to incorporate FATF Special Recommendation IX into legislation governing customs legal relations. Taking into account FATF requirements, national interests, needs and capabilities of the Russian Federation, in March 2009 the FCS sent a report to the Russian Government proposing changes designed to improve the system of controlling the flow of cash and bearer negotiable instruments across the Russian border, and drafted a federal bill proposing comprehensive regulation in various sectors of Russian law. The bill was drafted taking into account FATF, MONEYVAL and EAG comments, FATF methodological materials, the World Customs Organization AML/CFT guidelines for law enforcement units of customs services, and experience of FATF member states. The bill proposes changes and additions to 6 Federal Laws: 1. The Customs Code of the Russian Federation: - particularizing the notions and formulations of “cash” and “bearer negotiable instruments” for customs purposes; - regulating issues of customs post-clearance audit in respect of foreign-made goods circulated in Russia, which involves creating conditions under which dealing in contraband or counterfeit goods will become economically irrational, as well as substantially limiting opportunities for legalizing such goods in the domestic market and proceeds from their sale; - granting the customs authorities legislatively stipulated function of combating money laundering and terrorist financing; - granting the customs authorities legislatively stipulated powers to detain persons who move cash or bearer negotiable instruments across the customs border, if there are reasons to suspect money laundering or terrorist financing. 2. Federal Law “On Foreign Exchange Regulation and Control”: - particularizing the notions and wordings applicable to cross-border movement of cash and bearer negotiable instruments; - governing the procedure for importing and exporting cash and bearer negotiable instruments by both natural and legal persons; particularizing the declaration procedure depending on the person, amount, and object; - expanding the list of details reported in the customs declaration to include information about the origin, owner, and intended use of funds; - particularizing liability for non-declaration or false declaration of cash and bearer negotiable instruments, applicable to the part which exceeds the minimum limit set for

	compulsory written declaration; The purpose of amendments and additions to the Federal Law “On Foreign Exchange Regulation and Control” is to create: - a transparent and understandable procedure for declaring cash and bearer negotiable instruments; - a mechanism for detecting suspicious cross-border movement of cash and bearer negotiable instruments (in combination with amendments to AML/CFT laws). 3. Federal Law “On Anti Money Laundering and Combating the Financing of Terrorism”: - including provisions on application of the Law to cross-border movement of cash and bearer negotiable instruments; - making the offence of evading customs duties and taxes ML-predicate offence; - adding provisions that regulate the procedure for controlling cross-border movement of cash and securities with the aim to combat money laundering and terrorist financing; - obligating the customs authorities to identify persons who declare cash or bearer negotiable instruments, require them to disclose the origin, owners and intended use of funds, as well as to detain funds upon detecting criteria of suspicious transactions; - obligating the customs authorities to alert financial intelligence unit regarding cases of detention of suspicious cash or bearer negotiable instruments; - determining the criteria of “suspicious” in terms of money laundering and terrorist financing – presence of the traveller or the owner of cash or bearer negotiable instruments in the FIU list of terrorists; refusal to disclose the origin of funds, its owner or intended use, or deliberate distortion of such information; an offence or crime of non-declaration or making a false declaration; an alert from the law enforcement agencies or Rosfinmonitoring; - determining the period of time the customs authorities can detain cash or bearer negotiable instruments on suspicions of money laundering or terrorist financing, as well as the procedure for returning them when suspicions prove unconfirmed; - determining the procedure for Rosfinmonitoring to run a check of suspicious cross-border movement detected by the customs authorities. 4. Criminal Code of the Russian Federation: Criminalizing acquisition, storage, transportation with the intent to sell, and sale of goods that had been knowingly imported via smuggling (in order to put in place a mechanism to rule out the possibility for legalizing goods imported via smuggling on the domestic market or proceeds from their sale). 5. The RF Code of Administrative Offences: - strengthening sanctions for non-declaration or false declaration of cash or bearer negotiable instruments by natural persons, depending on the circumstances of the offence; introducing proportionate sanctions, including confiscation; - instituting liability for selling foreign-made goods in Russia without documents confirming legitimate importation;

	- instituting liability for non-presentation to the customs authorities of the documents confirming legitimate importation of foreign goods, which are circulated in Russia. 6. Criminal Procedures Code of the Russian Federation: Granting the customs officers legislatively stipulated powers to launch criminal cases: for facts of money laundering during cross-border movement; in case of detection of commercial transactions on the domestic market with goods imported via smuggling. In support of the legislative amendments, the Russian Government received a report on the need to adopt a new form of a passenger customs declaration unified with a declaration form used in EU countries. Following the adoption of legislative initiatives, an automated system will be developed to enable automatic keeping of an electronic database of information from passenger customs declaration forms and equip Russian cross-border points with devices for scanning information in the customs declaration forms. The automated system will enable automatic detection of persons in the Rosfinmonitoring list of terrorists and suspicious persons.
Measures taken to implement the recommendations since the adoption of the first progress report	Under Federal Law No. 311-FZ of November 27, 2010 "On Customs Regulation in the Russian Federation" the customs authorities of the Russian Federation have the right to implement in accordance with the international agreement between the states members of the Customs Union measures aimed at combating money laundering and terrorist financing when monitoring the movement across the customs border of the Customs Union of currencies of the countries members of the Customs Union, securities, and (or) currency and traveler's checks. The Agreement on the Procedure for the Transfer by Natural Persons of Cash and (or) Monetary Instruments across the Customs Border of the Customs Union (hereinafter the "Agreement)" has been prepared and adopted by Decision of the Interstate Council of the Eurasian Economic Community No. 51 of July 5, 2010. Pursuant to Article 6 of the Agreement, for the purpose of combating money laundering and terrorist financing during transfer by natural persons across the customs border of the Customs Union of cash and (or) monetary instruments subject to mandatory declaration in writing, the passenger customs declaration should contain information on the following: the natural person transferring cash and monetary instruments; monetary instruments description; the origin of cash and / or monetary instruments, their owners and their intended use; the route and mode of transportation of cash and (or) monetary instruments. As part of the formation of the Customs Union, the Committee of the Customs Union approved, in its decision No. 287 dated June 18, 2010, the format of the passenger customs declaration form and procedure for its completion. According to the said regulatory act, all amounts that are being transported across the boarder of the Customs Union and exceeding the equivalent of $10,000 U.S. in cash and traveler's checks should be declared using an additional form of the passenger customs declaration (Cash (or) Monetary Instruments Declaration), containing, as stipulated in the requirements of Article 6 of the Agreement, the specified additional information.

	The new form of the passenger customs declaration has been in use since July 1, 2010. 1. A joint order dated August 5, 2010 approving the Instruction for Organization of Information Exchange in the Area of Combating Money Laundering and Terrorist Financing has been issued jointly by the Russian Office of the Prosecutor General, Ministry of Interior, Federal Security Service, Federal Drug Control Service, Federal Customs Service, Investigative Committee under the Prosecutor General's Office and Rosfinmonitoring. The said Instruction establishes a uniform procedure for conducting information exchange between law enforcement agencies and the Rosfinmonitoring and is aimed at prevention, detection and investigation of crimes related to legalization (laundering) of monetary and other assets, as well as predicate offences, i.e. crimes committed prior to legalization of monetary and other assets. 2. Federal Law No. 311-FZ as of November 27, 2010, "On the customs regulation in the Russian Federation", empowered the customs authorities of the Russian Federation to ensure the measures, in accordance with the international agreement of the Member States of the Customs Union, of counteracting the legalization (laundering) of incomes received through crime and terrorist financing, within controlling of transportation across the customs border of the Customs Union of currency of the Member States of the Customs Union, securities, and (or) currency values, traveler's checks. 3. In the framework of statistical reporting collection of data is being provided on the movement of cash and monetary instruments. Pursuant to the Agreement on Information Exchange between the Russian Federal Customs Service and Rosfinmonitoring, the FCS submits to Financial Intelligence Unit information on individuals transferring large amounts of cash and monetary instruments.
Measures taken to implement the recommendations since the adoption of the second progress report	Agreement on combating of money laundering and financing of terrorism as regards movement of cash and (or) cash instruments across the customs border of the Customs Union of December 19, 2011 was executed. This Agreement authorized customs agencies to suspend such funds upon receipt of respective information from law enforcement authorities or financial monitoring agencies concerning moved cash and (or) cash instruments being associated with money laundering or financing of terrorism. The Agreement was ratified by Federal Law of December 25, 2012 No.249-FZ, took effect on February 20, 2013. Standard report on suspension of movement across the customs border of the Customs Union was developed according to article 5 of the Agreement and approved by resolution of the Board of the Eurasian Economic Commission of March 12, 2013 No.37. Standard report took effect on April 12, 2013. Order of the Federal Customs Service of Russia of 18.03.2013 No. 503 was issued to approve the Operating Procedure for Customs Executives in Accepting for Safe-Keeping of Cash and Cash Instruments Whose Movement was Suspended. Federal Law of June 28, 2013 No.134-FZ "On Amendments to Some Legislative Acts of the Russian Federation to establish criminal liability and toughen administrative liability for movement of cash and (or) cash instruments on a large scale effected bypassing customs control or concealed from customs control and associated with failure to report or improper reporting.

Recommendation of the MONEYVAL Report	*Staffing levels of the FCS should be increased to keep up with the growing workload.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	To ensure effective implementation of the customs authorities' AML/CFT function during physical cross-border movement of cash or bearer negotiable instruments, a proposal has been submitted to the Russian Government to increase the total manpower of the relevant units of customs authorities after the legislation has been amended to give the customs authorities the AML/CFT powers. The number of customs officers involved in AML/CFT efforts has been increased by reallocating personnel and amending the provisions on law enforcement units and job descriptions of field officers onsite. As of August 2009, the total number of staff members is 14,000, including 361 at the Central Headquarters of the Federal Customs Service.
Measures taken to implement the recommendations since the adoption of the first progress report	According to the order No. 149-r of the FCS of Russia, units of regional customs authorities have designated employees responsible for the line of work on AML/CFT. Regional offices of customs authorities have held meetings with representatives of the DF departments. Training seminars on issues related to AML/CFT were conducted.
Measures taken to implement the recommendations since the adoption of the second progress report	In pursuance of resolution of the Board of the Federal Customs Service of Russia of 28.09.2012, job descriptions and duty regulations of customs executives at all levels responsible for supervision of transfer of money and cash instruments across the border of the Russian Federation stipulate authorities pertaining to combating money laundering and financing of terrorism. Currently, 10630 customs executives are vested with authorities to combat money laundering and financing of terrorism. Recommendation materials elaborated with account of best international practices in detection and suppression of illegal physical trans-border movement of money and bearer cash instruments and of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation meant for use in respective activities were forwarded to regional customs offices and customs in immediate subordination to the Federal Customs Service of Russia.
Recommendation of the MONEYVAL Report	*The FCS should be encouraged to continue fighting corruption.*
Measures reported as of 23 September 2009 to implement the Recommendation	In the report on the Russian Federation, FATF evaluation experts pointed out that the Russian customs authorities are prone to a high level of corruption, however the authorities have taken steps to prevent corruption, such as periodic rotations of employees, training, special anti-corruption programs and procedures of internal control. Additionally, the risk of corruption has been reduced by a considerable increase

of the report	in budget spending per one employee. Since the FATF evaluation, the authorities continue to take anti-corruption measures. On 31 July 2008, the Russian President approved a national anti-corruption plan under which the customs authorities are organizing work to fight corruption. At the Federal Customs Service, the powers to fight corrupt phenomena in the customs service are vested in internal security departments. The staff departments are tasked with organizing educational and preventive activities among employees. Corruption is being fought in close cooperation with other units of the customs authorities, mainly, the law enforcement divisions. Pursuant to the Federal Law dated 25 December 2008 No. 273-FZ “On Countering Corruption”, the FCS has passed enactments designed to fight corruption and official malfeasance in the customs service, as well as to improve deterrent and preventive education efforts in the fight against corruption at Russian customs authorities. These enactments are compulsory for all customs bodies, including territorial divisions. Pursuant to the Presidential Order dated 3 March 2007 No. 269 “On commissions tasked with enforcing requirements for official conduct of public officers in the Russian Federation and resolving conflicts of interest”, all regional customs authorities have set up commissions that enforce requirements for official conduct and resolution of conflicts of interest. At the FCS Headquarters, the said commission has been established by FCS Order dated 12 July 2007 No. 848. The law enforcement and state authorities of the Russian Federation have been informed about the fact that such commissions have been established at the customs authorities and have been advised to report to such commissions any facts of dishonourable conduct by customs officials. Since March 2005, the Internal Security Directorate of the FCS has a specialized unit tasked with examining and analyzing draft legislation that governs customs clearance and customs control procedures, detects any discrepancies with the law and potential to generate corruption. The purpose of this work is to rule out the possibility of legislative provisions that would complicate the management process and create conditions favouring extortion, bribery, and other forms of corruption. On 3 July 2007, the Internal Security Directorate was instructed by the FCS board to organize an anti-corruption review of the Customs Code in order to eliminate ambiguous interpretations of individual provisions. The results of this work have translated into a federal bill on the relevant amendments and additions to the Customs Code. The FCS is currently drafting a Long-term Anti-corruption Plan for the Customs Authorities for 2010-2012. The decision to develop this Plan was made on 8 April 2009 by the administrative reform commission of the Government. As of August 2009, the total manpower of internal security units (ISUs) is 948 persons. In 2008, ISUs of customs authorities instituted 746 criminal cases, including 492 corruption-related cases associated with abuse of office and bribe taking against 215 customs officials and 46 bribe givers. In the first half of 2009, ISUs of customs authorities instituted 367 criminal cases,

	including 267 corruption-related cases, against 140 customs officials and 22 bribe givers. Over 90% of all crimes of corruption at customs authorities are detected by ISUs. This indicator was 91% in 2008 and 95% in the first half of 2009. The FCS is taking measures to raise the prestige and shape the image of the customs service; the public is being updated via the mass media about anti-corruption efforts, the downward trend in the overall level of corruption and case studies.
Measures taken to implement the recommendations since the adoption of the first progress report	In accordance with the Decision of the Government Commission for Administrative Reform as of April 8, 2009, the FCS of Russia developed a Perspective plan of combating corruption in the customs bodies for 2010-2012. In 2010, units of internal security instituted 447 criminal cases, including 269 criminal cases on crimes of corruption concerning 135 customs officials. In the first half of 2011 units of internal security initiated 284 criminal cases, of which 152 criminal cases are involving crimes of corruption concerning 82 customs officials. Based on materials from other law enforcement agencies, 9 criminal cases against customs officers for crimes of corruption sphere. 34 customs officials were found guilty. Furthermore, measures are carried out on protection of customs officials from trying to engage them into illegal activities. As a result of these measures, based on materials of units of internal security, 26 criminal cases against bribe-givers were opened, prosecuting 23 bribe-givers. Over the last 5 years more than 90% of all corruption-oriented crimes in customs revealed by the customs authorities' units of internal security . This figure in 2008 was 91%, and 95% in 2009. In the FCS of Russia, a commission for anti-corruption expertise of legal acts is created. Legal acts being issued by the FCS of Russia are analysed by its units of internal security. In addition, a working group was created to conduct anti-corruption expertise of the provisions of the Customs Code of the Russian Federation.
Measures taken to implement the recommendations since the adoption of the second progress report	During the first six months of 2012, based on materials of anti-corruption units of customs agencies, 63 criminal cases were initiated, of which 49 are cases on corruption-related crimes (38 – against 20 executives of customs agencies, 11 – against givers of bribes). Bribetaking was the most frequent type of detected corruption-related crimes (21 criminal cases). During the first six months of 2012, 19 executives of customs agencies were convicted for crimes including corruption-related crimes. Most corruption-related crimes committed in customs sphere are detected by anti-corruption units of customs agencies. Thus, as of June 4, 2012, this indicator constituted 84% of the total number of crimes in the above category detected by all units. During the first six months of 2012, anti-corruption units carried out 127 functional audits, which resulted in dismissal from customs agencies of 4 executives, and disciplinary prosecution of 66 executives.

	In 2013, based on materials of anti-corruption units, investigation agencies initiated 247 criminal cases. Of those, 177 criminal cases were initiated on corruption-related crimes (122 – against 86 executives of customs agencies and 55 – against 52 bribegivers). Other law enforcement agencies of the Russian Federation initiated 14 criminal cases on corruption-related crimes against 19 executives of customs agencies. Based on materials of anti-corruption units of customs agencies of the Russian Federation, in 2013, 89.7% of all criminal cases on corruption-related crimes detected by law enforcement agencies were initiated against executives of customs agencies. In 2013, on the initiative or with participation of anti-corruption units, 517 agency, functional, inspector and other audits were conducted, which resulted in dismissal from customs agencies of 12 executives, and imposition of disciplinary sanctions on 440 executives. In Q1 2014, 80 criminal cases were initiated based on materials of anti-corruption units. Of those, 49 criminal cases were initiated on corruption-related crimes (35 – against 20 executives of customs agencies and 14 – against 14 bribegivers). The share of corruption-related criminal cases initiated based on materials of anti-corruption units of customs agencies in the total number of corruption-related criminal cases initiated by all law enforcement agencies of the Russian Federation against executives of customs agencies constituted **100%**. In first quarter 2014, on the initiative or with participation of anti-corruption units, 77 audits (agency, functional, inspector and other) were conducted, which resulted in taking of measures to eliminate reasons and conditions for commitment of detected violation, adoption of disciplinary and other measures – dismissal from customs agencies of 3 executives, and imposition of disciplinary sanctions on 55 executives of customs agencies.
Recommendation of the MONEYVAL Report	*Authorities should as a priority commence an awareness raising campaign, for all levels of staff in all regions.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The customs authorities are focused on stepping up AML/CFT efforts. In February 2008, a relevant letter was sent out to regional heads of the law enforcement units of the customs authorities. In August 2009, the FCS issued a directive “On measures to eliminate deficiencies detected by FATF expects, and on the participation of the Russian FCS in the work of the Interagency Commission on Anti-Money Laundering and Combating the Financing of Terrorism”. In July 2009, regional units of the customs authorities received recommendations of the World Customs Organization on increasing the role of customs administrations in the fight against money laundering and terrorist financing. In September of 2009, the WCO Customs Enforcement Guidelines on countering money laundering and terrorist financing (WCO doc. EC0212 Annex), translated into Russian language, were sent to regional enforcement divisions to be used in their work.

	The Central Anti-Smuggling Directorate and the Central Directorate for Customs Investigations and Inquiries regularly send the relevant methodological recommendations and reviews to the territorial divisions. Law enforcement units of the customs authorities regularly attend coordination meetings with the law enforcement bodies and other state authorities. Seminars for customs officials have been planned at the International Training and Methodological Centre of Financial Monitoring and as part of the MOLI-RU 2 project developed jointly with the Council of Europe and being implemented in Russia.
Measures taken to implement the recommendations since the adoption of the first progress report	Please refer to the information provided above. Customs authorities are focused on strengthening the work of combating money laundering and terrorist financing. Regional law enforcement departments of customs authorities were provided with the recommendations of the World Customs Organization on enhancing the role of customs administrations in fighting against money laundering and terrorist financing. In the first half of 2011 the customs authorities of the Russian Federation filed 155 criminal cases, the object of the crime in which was the currency, and 137 criminal cases of them were initiated as a result of intelligence information realization. Moreover, during this period as a result of the operational activity 32 cases of administrative offenses were initiated. The question is being negotiated of inclusion of additional section "The implementation of foreign exchange control by the customs authorities of the Russian Federation" into the study program of the Institute for additional training, retraining and upgrading of the Russian Customs Academy, and of the corresponding program for students of the Russian Customs Academy "Compliance with the IX FATF Special Recommendation Requirements".
Measures taken to implement the recommendations since the adoption of the second progress report	During the period from June 2011 until March 2014, customs agencies of the Russian Federation initiated 547 criminal cases with money as the object of crime. Additional section “Compliance with requirements of IX Special Recommendation of FATF” was incorporated in training program of the Institute of Additional Training, Retraining and Advanced Training of the Russian Customs Academy and the Institute of Law Enforcement as well as in educational programs for students studying in all modes of attendance in all departments of the Russian Customs Academy. In 2013, 953 attended lectures on the above subject. 10630 customs executives are vested with authorities to combat money laundering and financing of terrorism. Recommendation materials elaborated with account of best international practices in detection and suppression of illegal physical trans-border movement of money and bearer cash instruments and of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation meant for use in respective activities were forwarded to regional customs offices and customs in immediate subordination to the Federal Customs Service of Russia.
Recommendation of the	*The authorities should ensure that customs and law enforcement co-operate in all regions and are aware of each others’ cases, especially relating to the fight against*

MONEYVAL Report	*alternative remittance systems.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The FCS has sent proposals to the Russian Government to improve existing interagency agreements and, if necessary, sign new agreements between customs and law enforcement bodies and other state authorities incorporated into the AML/CFT system. Electronic data exchange has been put in place with EU countries, which involves advance reporting of goods, making it possible to raise the level of reliability of information provided upon the declaration of goods, including monetary instruments. The FCS hosts the WCO Regional Intelligence Liaison Office for the Commonwealth of Independent States "RILO-Moscow", which is connected to the international customs enforcement network "CEN". It enables sharing of law enforcement and methodological information and databases with customs administrations – members of the World Customs Organization. RILO-Moscow also participates in international projects and operations of the WCO aimed at detecting illegal channels of cash and other contraband. In 2008 – 1 half of 2009, the FCS signed 14 agreements with customs and police bodies in European countries and joint plans to crack down on trans-national criminal organizations. Russia signed similar agreements with law enforcement units of the CIS customs services. In total 7 agreements were signed in 2008-2009. Currently, under these agreements the parties are sharing preventive intelligence, including that in the field of AML/CFT. In 2008-2009, the customs authorities conducted over 20 joint operations with other law enforcement bodies, which involved AML/CFT efforts. Measures have been taken to strengthen cooperation between the FSS and FCS: - a working meeting was held to improve cooperation in combating ML and TF; a set of measures has been put in place to detect and stem channels of terrorist financing; - exporters and importers that previously attracted attention of the FSS are being monitored; new companies engaged in suspicious transactions are being detected. They are being investigated for involvement in terrorist financing; - work has been organized to detect illegal cross-border channels of cash and bearer negotiable instruments. - FSS and Rosfinmonitoring are alerted about all cases of importation of cash and bearer negotiable instruments; if necessary, the FSS takes steps to determine the nature and purpose of such funds. At present the FCS participates jointly with other state authorities in design of the Interagency Order "On the adoption of the guidelines for organizing information exchange in the field of legalization (laundering) of cash and other proceeds obtained illicitly".
Measures taken to implement the recommendations	A joint order dated August 5, 2010 approving the Instruction for Organization of Information Exchange in the Area of Combating Money Laundering and Terrorist Financing has been issued jointly by the Russian Office of the Prosecutor General,

since the adoption of the first progress report	Ministry of Interior, Federal Security Service, Federal Drug Control Service, Federal Customs Service, Investigative Committee under the Prosecutor General's Office and Rosfinmonitoring. The said Instruction establishes a uniform procedure for conducting information exchange between law enforcement agencies and the Rosfinmonitoring and is aimed at prevention, detection and investigation of crimes related to legalization (laundering) of monetary and other assets, as well as predicate offences, i.e. crimes committed prior to legalization of monetary and other assets. Pursuant to the Agreement on Information Exchange between the Russian Federal Customs Service and Rosfinmonitoring, the FCS submits to Financial Intelligence Unit information on individuals transferring large amounts of cash and monetary instruments. Additionally, the information on individuals transferring large amounts of cash and monetary instruments is regularly submitted to the Russian Federal Security Service, Ministry of Interior and Federal Drug Control Service. Concrete results have been achieved in the fight against illegal movement across the customs border of the CU of monetary instruments by cash couriers. For example, on December 16, 2010, an attempt by the foreign citizens to smuggle monetary funds was detected in the course of special investigation activities carried out in the area of responsibility of the Vnukovo airport customs. The total amount of the smuggled currency is valued at $14.5 million and 4.1 million Euro. FCS of Russia signed 14 agreements with customs and police structures of European countries, and a joint plan of curbing the activity of transnational criminal networks. Similar documents have been signed with the law enforcement departments of customs services of CIS countries. Currently, within the framework of these agreements, the exchange of proactive operational information is carried out, including information concerning fighting against money laundering and terrorist financing. In the first half of 2011 the customs authorities conducted six joint operations with other law enforcement agencies, during which measures were taken against money laundering and terrorist financing. In addition, in order to ensure coordination and cooperation of public authorities in the field of counteracting legalization of proceeds from drug trafficking, an Interdepartmental Expert-Analytical Group on Countering the Legalization (Laundering) of Proceeds from Drug Trafficking (the order of RFDCS No. 39-r of 25 March 2011) was formed, consisting of representatives of the Prosecutor General of the Russian Federation, the Federal Financial Monitoring Service, the Russian Interior Ministry and Federal Customs Service of Russia
Measures taken to implement the recommendations since the adoption of the second progress report	Guidelines for Communication among the Bank of Russia, General Prosecutor's Office of the Russian Federation, law enforcement and other federal governmental agencies of the Russian Federation in detection and suppression of illegal financial operations of credit organizations and their clients approved by order of the General Prosecutor's Office of the Russian Federation, the Ministry of Internal Affairs of Russia, Rosfinmonitoring, the Federal Tax Service of Russia, the Federal Security Service of Russia, the FDCS of Russia, the Federal Customs Service of Russia, the Investigation Committee and the Bank of Russia of 12.03.2013 no.105/136/50/MM-7-

	2/117/131/98/447/12/OD-121 were developed for the purposes of improvement of organization of communication and increasing efficiency of measures to combat illegal financial operations. Guidelines for Communication between structural subdivisions of headquarters of the Federal Customs Service of Russia and customs agencies in auditing the information of the Bank of Russia delivered by the General Prosecutor's Office of the Russian Federation to the Federal Customs Service of Russia were elaborated as part of implementation of the Guidelines for Communication among the Bank of Russia, General Prosecutor's Office of the Russian Federation, law enforcement and other federal governmental agencies of the Russian Federation in detection and suppression of illegal financial operations of credit organizations and their clients to secure organization of communication aimed at implementation of the above inter-departmental order of the Federal Customs Service of Russia. Recommended practices for executive units of customs agencies concerning detection and suppression of crimes associated with laundering of money or other illegally acquired property were elaborated.
Recommendation of the MONEYVAL Report	*The legal framework for reporting cash and bearer negotiable instruments should be simplified in one law, and reporting forms should be brought in line with the law in all languages.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The measures to improve the legislative framework and bring the passenger customs declaration form into line with the law are described above. With its 19 September 2008 Order No. 1150 "On the adoption of the Administrative Regulations of the Federal Customs Service on performing the state functions of accepting a passenger customs declaration submitted by a natural person", the FCS introduced a new procedure for completing the customs declaration, which eliminates the deficiencies detected by the team of evaluation experts.
Measures taken to implement the recommendations since the adoption of the first progress report	As part of the formation of the Customs Union, the Committee of the Customs Union approved, in its decision No. 287 dated June 18, 2010, the format of the passenger customs declaration form and procedure for its completion. According to the said regulatory act, all amounts that are being transported across the boarder of the Customs Union and exceeding the equivalent of $10,000 U.S. in cash and traveler's checks should be declared using an additional form of the passenger customs declaration (Cash (or) Monetary Instruments Declaration), containing, as stipulated in the requirements of Article 6 of the Agreement, the specified additional information. The new form of the passenger customs declaration has been in use since July 1, 2010.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.

Recommendation of the MONEYVAL Report	*Russia should ensure that sending cash or bearer negotiable instruments through containerized cargo is covered in law and practice.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Any physical movement of cash or bearer negotiable instruments across the border is currently covered by the RF Customs Code and the RF Law “On Foreign Exchange Regulation and Foreign Exchange Control”, which also includes containerized cargo. The provisions of customs legislation obligate persons moving cash with containerized cargo to declare such cash in the customs cargo declaration. The following measures are used to detect illegal movement of cash and bearer negotiable instruments concealed in cargo containers: - a risk management system that makes it possible to conduct a full inspection of goods and vehicles in the presence of certain criteria; - inspection facilities; - intelligence supplied by law enforcement units of customs authorities.
Measures taken to implement the recommendations since the adoption of the first progress report	Please refer to the information provided above Any physical movement of cash and negotiable instruments across borders are now covered by the Customs Code of the Customs Union and the Treaty on the order of movement of natural persons of cash and (or) financial instruments across the customs border of the Customs Union, approved by the Decision No. 51 of the Interstate Council of Eurasian Economic Community as of July 5, 2010 , including containerized cargo.
Measures taken to implement the recommendations since the adoption of the second progress report	Please, see information above.
Recommendation of the MONEYVAL Report	*The FCS should have the legal authority to restrain currency in case of suspicions of ML if the money is declared. The FCS should take into consideration a system to use reports on currency declaration in order to identify and target money launderers and terrorists.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	Measures taken to implement this recommendation of the Report are reflected above. The automated system that is now being developed will enable automatic entry of information into an electronic database. Upon data entry into the electronic database, information will be checked for any suspicious criteria. Detection of such criteria will constitute grounds for detaining funds. A functionality will be developed to analyze information in the electronic database to

	detect and track persons involved in money laundering or terrorist financing.
Measures taken to implement the recommendations since the adoption of the first progress report	A draft agreement was prepared on countering the legalization (laundering) of proceeds from crime and terrorist financing in the course of importation into the single customs territory of a Customs Union and exportation from the single customs territory of cash and (or) financial instruments, which provides statutory power to customs authorities to suspend the movement of cash and financial instruments in the presence of suspected money laundering or terrorist financing. The draft Treaty has passed the procedure of approval at the national level.
Measures taken to implement the recommendations since the adoption of the second progress report	Agreement on combating of money laundering and financing of terrorism as regards movement of cash and (or) cash instruments across the customs border of the Customs Union of December 19, 2011 was executed and ratified by Federal Law of December 25, 2012 No.249-FZ. Standard report on suspension of movement across the customs border of the Customs Union was developed according to article 5 of the Agreement and approved by resolution of the Board of the Eurasian Economic Commission of March 12, 2013 No.37. Standard report took effect on April 12, 2013. Order of the Federal Customs Service of Russia of 18.03.2013 No. 503 was issued to approve the Operating Procedure for Customs Executives in Accepting for Safe-Keeping of Cash and Cash Instruments Whose Movement was Suspended. Work is underway concerning execution of Agreements on Communication of the Federal Customs Service and relevant authorities in member states in relation to combating money laundering and financing of terrorism with customs agencies of the Republic of Kirgizia, Republic of Tajikistan, Republic of Latvia, Syrian Arab Republic and the Kingdom of the Netherlands. Subject of the Agreement is communication between the parties necessary to take measures related to combating money laundering and financing of terrorism and relevant criminal activity in cross-border movement by individuals of cash and (or) cash instruments.
Recommendation of the MONEYVAL Report	*The administrative penalties for false or non declarations should be raised considerably.*
Measures reported as of 23 September 2009 to implement the Recommendation of the report	The bill envisages the introduction of proportionate and restricting sanctions for any false declaration or failure to declare cash or bearer negotiable instruments and particularization of liability for non-declaration or false declaration. International experience of FATF member states and the WCO Customs Enforcement Guidelines on countering money laundering and terrorist financing (WCO doc. EC0212 Annex) are used to determine amounts of fines.
(Other) changes since the last evaluation	- since October 2008, the FCS has fully adopted the World Customs Organization Recommendation on the need to develop and strengthen the role of customs administration in combating money laundering, dated 25 June 2005. The WCO points out that Russia's accession to this recommendation will serve as a good example for

	customs administrations of other WCO member states; - there has been an increase in the intensity of information exchange between customs authorities and financial intelligence unit; - the FCS participated in the drafting of the bill on the ratification of the Agreement of Member States of the Commonwealth of Independent States on Anti Money Laundering and Combating the Financing of Terrorism, signed in Dushanbe (Tajikistan) on 5 October 2007.
Measures taken to implement the recommendations since the adoption of the first progress report	The Draft Law prepared by the Federal Customs Service provides for introduction of amendments to Article 16.4 of the Russian Code of Administrative Offences establishing proportionate liability in the form of higher fines (2500 to 5000 rubles instead of 1000 to 2500 rubles currently in use) for failure to declare or false declaration of monetary assets by individuals. International experience of the FATF Member-States as well as guidelines of the World Customs Organization were used to determine the size of such fines. The FCS of Russia jointly with Russian Ministry of the Interior and the Office of the Prosecutor General of Russia are currently deciding on the desirability of granting the powers to conduct investigations in criminal cases involving crimes provided for in Articles 174 and 174.1 of the Criminal Code of the Russian Federation to the customs authorities. A decision on this issue is due to be taken by the Interdepartmental Committee on Public Safety of the Security Council of the Russian Federation.
Measures taken to implement the recommendations since the adoption of the second progress report	Federal Law No.134-FZ re-incorporates in the Criminal Code of Russia the article Smuggling reading as follows: **"Article 2001^{1}. Smuggling of Cash and (or) Cash Instruments** 1. Illegal transfer of cash and (or) cash instruments across customs border of the Customs Union of the Eurasian Economic Community on a large scale, - should be punishable by a fine in amount of three to ten sums of illegally transferred cash or cash instruments or in amount of earnings or any other income of the convicted over a period of up to two years; or by deprivation of freedom for a period of up to two years; or by up to two years of compulsory labour. 2. Acts stipulated in part 1 of this article committed: a) on an especially large scale; б) by a group of persons,- should be punishable by a fine in amount of ten to fifteen sums of illegally transferred cash or cash instruments or in amount of earnings or any other income of the convicted over a period of up to three years; or by deprivation of freedom for a period of up to four years; or by up to four years of compulsory labour. Note. 1. For the purposes of this article, an act should be deemed committed on a large scale if the amount of illegally transferred cash and (or) the value of illegally transferred cash instruments exceeds double amount of the sum of cash and (or) the value of traveler's cheques, which sum (value) according to the customs legislation of the Customs Union of the Eurasian Economic Community is allowed for transfer

	without being declared in writing. 1. For the purposes of this article, an act should be deemed committed on an especially large scale if the amount of illegally transferred cash and (or) the value of illegally transferred cash instruments exceeds fivefold amount of the sum of cash and (or) the value of traveler's cheques, which sum (value) according to the customs legislation of the Customs Union of the Eurasian Economic Community is allowed for transfer without being declared in writing. 2. In calculation of the amount of transferred sum of cash and (or) the value of cash instruments that were not declared or truly declared, the amount of sum, which according to the customs legislation of the Customs Union of the Eurasian Economic Community is allowed for transfer without being declared or which was declared, should be deducted from the total transferred sum of cash and (or) the value of cash instruments. 3. Person who voluntarily turns in cash and (or) cash instruments specified in this article should be exempted from criminal liability, unless other elements of crime are present in his/her actions. Detection of cash and (or) cash instruments during customs control, seizure thereof at detention of the person and during execution of investigating actions pertaining to detection and seizure thereof, may not be recognized as voluntary turning-in of cash and (or) cash instruments specified in this article. For the purposes of this article, cash instruments should mean traveler's cheques, bills of exchange, cheques (banker's cheques), and certificated securities that certify obligation of the issuer (debtor) to pay funds without specifying the payee. As stated above, Federal Law of 28.06.2013 N 134-FZ Concerning Amendment of Some Legislative Acts of the Russian Federation as Regards Counteracting Illegal Financial Operations establishes criminal liability (article 200.1 of the Criminal Code of the Russian Federation) and toughens administrative liability (article 16.4 of the Administrative Offence Code of Russia) for movement of cash and (or) cash instruments on a large scale effected bypassing customs control or concealed from customs control. According to the new wording of article 16.4 of the Administrative Offence Code of Russia, a person may be brought to administrative liability for failure to declare or improper declaration of cash and (or) cash instruments, which should be subject to an administrative fine in amount of single to double undeclared amount of cash and (or) value of cash instruments or confiscation of the object of administrative offence. This being the case, recognized as undeclared should be the sum of cash and (or) value of cash instruments exceeding the sum (value), which according to the Agreement on the procedure for movement by individuals of cash and (or) cash instruments across the customs border of the Customs Union is allowed for transfer without being declared in writing. Analysis of information about cases in administrative offences (hereafter – AO) initiated by customs agencies of the Russian Federation demonstrated that in 2013, subject to article 16.4 of the Administrative Offence Code, customs agencies initiated 5536 AO cases to the amount of RUR88.3 MIO. Therewith, during the second six months of 2013, following entry into force of the Federal Law, 1454 AO cases were initiated, which is 2.8 times less than during the first six months of 2013; amount of fines imposed constituted RUR83.4 MIO, which is 17 times more than during the first

	six months of 2013. During the second six months 2013, subject to article 200.1 of the Criminal Code of the Russian Federation, customs agencies initiated 95 criminal cases, and amount of cash illegally transferred across the customs border of the Customs Union constituted RUR270.1 MIO. During the three months of the current year, 19 criminal cases on smuggling of cash were initiated to the amount of RUR100.8 MIO. Therewith, during the said period, courts issued 17 judgments of conviction (with account of criminal cases taken to court in 2013). Thus, following entry into force of Federal Law of 28.06.2013 No.134-FZ, positive movements are observed in application of article 16.4 of the Administrative Offence Code, and in judicial practice of bringing of the guilty to criminal responsibility. At the same time, the said Federal Law introduces amendments that make customs agencies responsible for performance of urgent investigative actions in criminal cases on crimes under articles 174, 174.1 of the Criminal Code of the Russian Federation.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	- since October 2008 FCS of Russia fully joined the recommendation of the World Customs Organization, "The need to develop and strengthen the role of customs administrations in the fight against money laundering and the laundering of proceeds of crime" as of 25.06.2005. The World Customs Organization noted that Russia's accession to the recommendation would constitute a good example for the customs administrations of other Member States of the World Customs Organization; - the intensity of information exchange between customs authorities and financial intelligence units has increased; - FCS of Russia took part in drafting the bill on the ratification of the Treaty of the Commonwealth of Independent States on countering the legalization (laundering) of criminal incomes and financing of terrorism, signed in Dushanbe (Tajikistan) on 10/05/2007.
(Other) changes since the second progress report (e.g. draft laws, draft regulations or draft “other enforceable means” and other relevant initiatives	

2.4. Specific Questions

Answers from the first progress report

1. Have any measures been taken to minimize corruption at law enforcement, prosecution and other competent authorities since the evaluation mission?
Federal Security Service (FSS) Following the FATF evaluation mission, the FSS took the following measures to minimize corruption at FSS bodies. Pursuant to the National Anti-Corruption Plan adopted by the Russian President on 31 July 2008, the Plan of Measures to Prevent Corrupt Manifestations at the Federal Security Service has been developed and is being implemented timely. As part of this plan the FSS: - initiated amendments to the Federal Law "On the Federal Security Service" designed to improve recruitment for the FSS, step up internal security measures, and protect personal data of servicemen, public officials at federal governmental bodies, and personnel of security agencies (adopted with Federal Laws dated 25 December 2008 No. 280-FZ, No. 274-FZ); - made changes to the procedure for screening candidates for FSS service aimed at prevention corrupt manifestations; - revised methods used in professional screening for FSS service, study at FSS educational institutions, and for appointments to executive positions in order to detect any lucrative impulse or inclination to crimes of corruption among candidates; - revised the FSS regulations that address the issues of educational work, maintaining and reinforcing military (labor) discipline, and psychological work with staff; - elevated the importance of attestation, analyzed and corrected job duties of employees in sectors exposed to risks of corruption; - stepped up efforts of obtaining forewarnings about corrupt manifestations among FSS personnel. Adjustments have been made to the organization of continued efforts along these lines in order to ensure timely collection of additional information, documentation and procedural formalization of any illegal acts detected; - organized inspector, thematic and other checks of the FSS bodies in order to evaluate their performance in preventing corrupt manifestations among their personnel; - started the apropriate work at the local level. The issues of preventing corrupt manifestations have been discussed at meetings of heads of FSS bodies in federal districts, at boards and meetings of administrative personnel. Additionally, as part of the National Anti-Corruption Plan the FSS and other federal executive authorities participate in working out the draft laws that would ensure the following: - implementation of restrictions, prohibitions and obligations relating to public service (including civil, law enforcement and military service), and observance of the general principles of service conduct by public officers; - measures to prevent conflict of interest.

Ministry of Internal Affairs (MIA)

The Russian Ministry of Internal Affairs has developed and is implementing a complex of measures to minimize corruption in law enforcement bodies.

Among other things, these efforts are organized as part of the National Anti-Corruption Plan adopted by the Russian President on 31 July 2008 as well as resolutions by the Coordinating Council of heads of law enforcement bodies, interagency plans and other administrative documents.

Within this context, the MIA has developed and is implementing an anti-corruption plan for the period of 2008-2010, which envisages anti-corruption measures in law enforcement.

Additionally, the MIA is continuing the implementation of the first stage of the Internal Security Concept for Law Enforcement Bodies and the Federal Migration Service for the period of 2007-2012.

The results of these efforts were discussed on 6 February 2009 at an extended meeting of the MIA board, which decided to adopt a complex of additional measures aimed at raising the effectiveness of ministerial control over the operative, detective and procedural activities, and elevating the personal responsibility of administrative personnel for the legitimacy of such activities.

At the same time, the MIA is taking measures to improve the ministerial base of laws that govern the matters of supporting the fight against corrupt manifestations.

The MIA issued the following orders to counter corruption within the MIA system:

- dated 5 December 2008 No. 1065 "On measures to improve the public security police efforts aimed at protecting the economic rights of citizens", which sets out the measures to elevate the legitimacy of public security police work aimed at detecting economic crimes and preventing corrupt manifestations in this work. The order establishes requirements designed to rule out inspections of businesses by police units in matters outside of the police purview, including in matters of observance of license requirements for businesses;

- dated 9 December 2008 No. 1076 and 1077, which establish the Commission on the Enforcement of Requirements for Official Conduct of Federal Government Public Officers at the Headquarters of the Russian Ministry of the Interior and the Commission's working procedure;

- dated 24 December 2008 No. 1138 "On the adoption of the Professional Ethics Code for employees of Russian bodies of the interior";

- dated 24 December 2008 No. 1140 "On the adoption of the Guidelines for the procedure of organizing and conducting official inspections at bodies, divisions and establishments within the system of the Russian Ministry of the Interior";

- dated 22 April 2009 No. 312 "On improvements to the recruitment for service at the headquarters of the MIA of Russia and divisions directly subordinated to the MIA of Russia".

The MIA prepared the Administrative Regulations of the MIA of Russia for the performance of the government function of registering motor vehicles and trailers, adopted by MIA Order dated 24 November 2008 No. 1001.

Since the effective date of the order (27 January 2009), its requirements are mandatory for all registration units of territorial administrative bodies of the State Traffic Safety Inspectorate, the Main Directorate of the Interior, and Directorates of the Interior in constituent entities of the Russian Federation. To check actual fulfillment of the Regulations, MIA representatives visited 11 constituent entities of the Russian Federation. The inspection findings were discussed at a meeting attended by heads of State Traffic Safety Inspectorate units from 30 constituent entities of the Russian Federation.

The MIA is also taking additional measures that involve special background checks upon recruitment and in other cases stipulated by the law. The recruitment and career advancement mechanism is currently being improved.

An important instrument of protecting the interests of public service are special inspection measures to examine the candidate's personality and background, detect facts precluding the candidate from service or occupying a higher position, and access information that constitutes a state secret.

The MIA regularly analyzes information concerning individuals subjected to special inspections, requests pertinent information at the individual's place of residence, from prior employers and educational institutions. The MIA has organized constant data exchange with the FSS and Federal Drug Control Service.

The MIA Main Information Analysis Center keeps a register of disqualified persons who have been denied recruitment by MIA bodies or enrollment at MIA educational institutions over negative episodes in their background. Information accumulated in this register is used to additionally check all candidates recruited by MIA bodies, which includes a check against data in personnel registers of the MIA Human Resources Department.

At the same time, the Ministry is implementing measures to raise the moral and psychological qualities of employees and public officers, including as part of training, retraining and professional development programs.

For instance, the MIA developed a special course in developing anti-corruption behaviour skills and abilities among the personnel and public officers MIA bodies based on the MIA Academy of Administration, taking into account suggestions from MIA divisions. The materials are currently pending approval by the MIA Human Resources Department. Once approved, the program will be forwarded to the Russian General Prosecutor Office Academy.

The MIA sent proposals to the Russian Ministry of Health and Social Development to develop anti-corruption educational and methodological materials as part of the government order for professional retraining, professional development and internship for public officials for the year 2009.

To raise the effectiveness of anti-corruption measures at law enforcement bodies, the MIA is taking measures to step up collaboration with the FSS, Federal Customs Service, and other federal executive bodies concerned.

In March 2009, MIA representatives held an official meeting with representatives of the Internal Security Service of the Russian Federal Customs Service to discuss issues of cooperation and sharing of operative information relating to instances of corruption committed by FCS officials, including the criminal activity of contrabandists of drugs and psychotropic substances and officials of law enforcement and controlling bodies that aid them.

In the course of such measures, in the 1st half of 2009 the MIA detected 44 033 violations by MIA personnel, federal public officials and employees within the MIA system (hereafter "employees"), including 41 517 disciplinary offences involving breaches of the law and 2,516 crimes, of which 878 were offences of general criminal nature and 1 635 official crimes and crimes against justice.

A number of corrupt officials were exposed in joint operations with other law enforcement bodies.

Measures to minimize corruption in law enforcement are in process.

Federal Drug Control Service (FSKN)

In the annual President's message to the Federal Assembly of the Russian Federation, countering corruption is one of the priority lines in the government's domestic policy.

In July 2008, a National Anti-Corruption Plan of the Russian Federation was adopted (hereafter "the National Anti-Corruption Plan"). The Federal Drug Control Service is the authority tasked with direct implementation of the measures stipulated in the National Anti-Corruption Plan within its purview.

On 25 December 2008, the Russian President signed Federal Laws No. 273-FZ "On Countering Corruption" and No. 280-FZ "On Amendments to Individual Legislative Enactments of the Russian Federation in connection with the ratification of the United Nations Convention Against Corruption dated 31 October 2003 and the Criminal Law Convention on Corruption dated 27 January 1999 and adoption of the Federal Law 'On Countering Corruption'."

Pursuant to item 5 of Section IV of the National Anti-Corruption Plan, adopted by the Russian President on 31 July 2008, the FSKN Director prepared and approved the Plan for Countering Corruption at the FSKN for the years 2008-2009, which was announced in the FSKN order dated 29 September 2008 No. 318/dsp.

In the course of parliamentary hearings "On the legislative support of the National Anti-Corruption Plan", the FSKN made specific proposals to improve legislative measures in support of the National Anti-Corruption Plan.

One of the main tasks faced by the FSKN at the initial stage of organizing anti-corruption efforts was to amend the laws that govern the implementation of anti-corruption measures.

In order to elaborate the mechanism of controlling the performance of the FSKN's public functions, the FSKN issued the following orders:

- dated 8 December 2008 No. 450 "On the adoption of the administrative regulations of the FSKN for performing the public function of issuing statements about the absence of current or prior uncleared convictions of individuals who will have direct official access to drugs or psychotropic substances for crimes of average severity, grave or especially grave crimes involving trafficking in drugs or psychotropic substances, including crimes committed outside the Russian Federation, as well as statements to the effect that such individuals do not face charges in connection with crimes involving trafficking in drugs or psychotropic substances";

- dated 8 December 2008 No. 451 "On the adoption of the administrative regulations of the FSKN for performing the public function of issuing a statement on the compliance of facilities and rooms where anti-drug trafficking work is performed".

These FSKN orders passed state registration in the Russian Justice Ministry.

Besides making the requisite changes to internal regulations, the FSKN is working out measures needed to improve Russian anti-corruption policy laws.

The FSKN has worked out proposals for the criteria of assessing the effectiveness of drug control bodies in preventing, detecting and investigating crimes of corruption, and made appropriate additions to the system for evaluating the performance of FSKN territorial bodies.

To ensure effective implementation of the provisions of the state anti-corruption policy, in August 2008 the FSKN established its own Internal Security Department. Its main task, besides ensuring the security of FSKN operations, is organizing efforts to prevent corrupt manifestations among employees of FSKN bodies.

The FSKN Internal Security Department is the main division in the FSKN's anti-corruption system and organizes work along these lines at the FSKN territorial bodies where anti-corruption efforts are the responsibility of internal security unites (hereafter ISUs).

In addition to the Internal Security Department, other FSKN departments contribute to anti-corruption efforts.

An important aspect of anti-corruption work has been the participation of FSKN representatives in the work of the interagency work group tasked with preparing reports to the Anti-Corruption Council under the Russian President "On the results of law enforcement bodies' fight against crimes of corruption" (hereafter the "Council"). Information about the results of anti-corruption efforts at the FSKN was consolidated and presented to the Council.

Also, under the Plan of FSKN board meetings for 2009, on 27 May 2009 the FSKN board held a meeting dominated by the following issue: "Organizing anti-corruption efforts in the light of the FSKN's implementation of the National Anti-Corruption Plan and the Concept of the Administrative Reform in the Russian Federation for 2006-2010".

Another important aspect of organizing anti-corruption efforts is training specialists in detecting and documenting crimes of corruption, as well as improving professional training in this sphere for officers of operative and detective units of the FSKN bodies.

FSKN educational institutions have made the appropriate changes to their educational processes in terms of advanced study of anti-corruption issues.

Besides the general organizational measures that shape the long-term anti-corruption strategy at the FSKN, the basis of anti-corruption efforts is formed by daily preventive work of the Internal Security Department in close cooperation with human resources departments.

Raising the level of cooperation with other law enforcement bodies that are fighting corrupt manifestations is a good reserve for improvement in anti-corruption work.

Federal Customs Service (FCS)

In the report on the Russian Federation, FATF evaluation experts pointed out that the Russian customs authorities are prone to a high level of corruption. Nonetheless, the authorities have taken steps to prevent corruption, such as periodic rotations of employees, training, special anti-corruption programs and procedures of internal control. Additionally, the risk of corruption has been reduced by a considerable increase in budget spending per one employee.

Since the FATF evaluation, the customs authorities continue to take anti-corruption measures.

Presently, these efforts are implemented by the customs authorities pursuant to the National Anti-Corruption Plan adopted by the Russian President on 31 July 2008.

The powers to combat corruption are vested in internal security units as well as HR departments tasked with educational and preventive measures.

Corrupt manifestations are fought in close cooperation with other units of the customs authorities, mainly the law enforcement unit.

Pursuant to the Federal Law dated 25 December 2008 No. 273-FZ "On Countering Corruption", the FCS has passed enactments designed to fight corrupt manifestations and official malfeasance in the customs service, as well as to improve deterrent and preventive education efforts in the fight against corruption at Russian customs authorities, which have been brought to the attention of all territorial customs bodies.

Pursuant to the Presidential Order dated 3 March 2007 No. 269 "On commissions tasked with enforcing requirements for official conduct of public officers in the Russian Federation and resolving conflicts of interest", all regional customs directorates and offices have set up commissions to enforce requirements for official conduct and resolution of conflicts of interest. At the FCS Headquarters, the said commission has been established by FCS Order dated 12 July 2007 No. 848.

The law enforcement and government authorities of the Russian Federation have been informed about the fact that such commissions have been established at the customs authorities and have been advised to report to such commissions any facts of dishonorable conduct by customs officials.

In order to rule out the possibility of FCS-specific enactments being passed with provisions that would complicate the administrative process or create conditions favoring extortion, graft and other forms of corruption, since March 2005 the Internal Security Directorate has a unit tasked with analyzing draft enactments for compliance with the laws in force and potential to generate corruption.

In 2008, a team of the most qualified officials of FCS divisions concerned was formed to conduct an anti-corruption examination of the RF Customs Code in order to eliminate any ambiguous interpretations of individual provisions.

The FCS is currently drafting a bill that would make the relevant amendments and additions to the RF Customs Code.

Additionally, the FCS is currently reviewing a Long-term Anti-Corruption Plan for the Customs Authorities for 2010-2012.

As of August 2009, the total manpower of internal security units (ISUs) is 948 persons.

In 2008, ISUs of customs authorities instituted 746 criminal cases, including 492 corruption-related cases associated with abuse of office and bribe taking against 215 customs officials and 46 bribe givers.

In the first half of 2009, ISUs of customs authorities instituted 367 criminal cases, including 267 corruption-related cases, against 140 customs officials and 22 bribe givers.

Over 90% of all crimes of corruption at customs authorities are detected by ISUs. This indicator was 91% in 2008 and 95% in the first half of 2009.

The FCS is taking measures to raise the prestige and shape the image of the customs service; the public is being updated via the mass media about anti-corruption efforts, the downward trend in the overall level of corruption, and graphic case studies.

Rosfinmonitoring

Rosfinmonitoring has taken the following measures to minimize corruption:

- Developed and adopted the 29 September 2008 Anti-Corruption Plan of the Federal Financial Monitoring Service.
- By Rosfinmonitoring order dated 29 December 2008 No. 319, the Human Resources Department was tasked with fighting (preventing) corruption;

Rosfinmonitoring drafted an Order "On the list of federal public service positions at the Federal Financial Monitoring Service that require public officers filling such positions to disclose information about their incomes, property and financial liabilities, as well as information about incomes, property and financial liabilities of their spouses and underage children", which is currently under approval.

2. Has the approach towards ML risk assessment in the Russian Federation been reconsidered since the evaluation mission?

Bank of Russia (BoR)

The BoR is constantly implementing measures to improve the Russian AML/CFT system, including in terms of assessing the risk of money laundering (so-called risk-oriented approach).

Since the third-round mutual evaluation of the Russian AML/CFT system for compliance with international standards the BoR issued a number of enactments that contain signs of suspicious transactions, along with recommendations for credit institutions on additional monitoring of suspicious transactions. Credit institutions take these BoR into account when implementing internal control procedures to determine the risk of ML or TF transactions by the customer.

Additionally, Federal Law No. 121-FZ was adopted on 3 June 2009, amending Law No. 115-FZ and establishing, among other things, additional criteria to be used by institutions carrying out money and value transactions to assess the risk of ML and TF upon detecting money transfers without the details of the payment originator.

Rosfinmonitoring

The approach based on the assessment of the risk of ML/TF transactions is the core approach in anti money laundering procedures.

In particular, a number of transactions that do not raise suspicions may be carried out with via a simplified customer identification procedure.

Transactions showing a heightened degree (level) of risk of involvement in ML or TF require an extra measure of control from credit institutions.

A new edition of recommendations on developing internal control rules has been prepared for non-credit institutions (which replaces existing recommendations adopted by the RF Government Decision No. 983-r and is currently under approval by supervisory bodies), which requires institution to develop internal control procedures for purposes of AML/CFT, taking into account the risk of ML/TF.

In particular, institutions are required to develop in their internal control rules a program for assessing the risk of ML/TF transactions by the customer (item 3.2 of the draft resolution).

Additionally, Rosfinmonitoring published its Informative Letter dated 18 March 2009 No. 2, containing the fundamental principles and approaches to the identification procedure by institutions. This letter requires that, upon establishing business relations with the customer, the institution should assess the customer’s ML/TF risk level and subsequently constantly monitor the customer’s transactions in order to take into account changes in the degree of risk.

Institutions must monitor and control current transactions, taking into account ML/TF risk assessment results, and constantly monitor the customer’s transactions in the event of heightened risk or suspicious transactions in the customer’s activity.

The institution, regardless of the specifics of its activity and the specifics of the activity of its customers, must develop criteria for assessing the degree of risk in keeping with the requirements established by Rosfinmonitoring (item 3.2.1 of the new edition of the Recommendations). Information Letter No. 2 contains the recommended list of signs of transactions, types and conditions of activity that shows a heightened risk of ML/TF transactions by customers, which include:

- travel and tourist business and other activities involving the organization of travel (travel business);

- transactions and other deals using Internet technologies and other remote access systems or otherwise without face-to-face contact;

- the customer or the customer’s founder (beneficial owner) or transaction (deal) counterparty is registered or is doing business in a country or on a territory that offers preferential tax regimes and (or) does not require disclosure of information during financial transactions (offshore zone).

In order to assess the degree (level) of risk and track possible changes in the risk level, the institution must conduct constant monitoring of the customer’s transactions (3.2.2). The institution must pay heightened attention to money and value transfers, which are carried out by a high-risk customer.

Informative Letter No. 2 states that the institution must complete a thorough customer due diligence if:

- a customer, beneficial owner or transaction raises suspicions of involvement in money laundering or terrorist financing;

- the transaction is complex or unusual in its nature and has no obvious economic rationale or obvious legitimate purpose, and/or there are reasons to believe that the transaction is carried out to evade mandatory control procedures stipulated in the Federal Law;

- the degree (level) of risk has been assessed as heightened.

Additionally, Rosfinmonitoring elaborated the draft law "On amendments to the Federal Law "On Anti Money Laundering and Combating the Financing of Terrorism", which establishes the obligation of institutions to pay heightened attention to any transactions carried out by persons (or with the participation of persons) registered, residing or located in a state (on a territory) that does not apply or insufficiency applies FATF recommendations, or where such transactions are carried out via an account of a bank registered in the said state (on the said territory).

Simultaneously, the draft law lists among the transactions subject to mandatory control and reporting to Rosfinmonitoring the transactions of crediting or transferring money to an account, extending or receiving credit (loan), transactions in securities, where at least one of the parties is a natural or legal person registered, residing or located in a country (on a territory) that does not apply or insufficiently applies FATF recommendations, or where the said transactions are carried out via an account with a bank registered in the said country (on the said territory). The list of such countries (territories) is determined in accordance with the procedure set out by the Russian Government, taking into account FATF publications. The said list will be published officially.

3. Was further consideration given to the issue of supplementing the provisions of the Criminal Code relating to criminalization of all lucrative crimes?

Rosfinmonitoring

The Federal Service for Financial Markets drafted the Federal Bill "On Amendments to the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation" (establishing punishment for offences causing considerable damage to rights and interests of natural and legal persons in the securities market), which envisages criminal liability for price manipulations in the securities market, was passed by the State Duma of the Russian Federal Assembly in the first reading on 8 May 2008.

4. Have any measures been taken to introduce criminal liability for legal persons?

Rosfinmonitoring

Concerning the introduction of criminal liability for legal persons, please be informed as follows. Russian criminal law does not recognize legal persons as subjects of a crime, as directly stated in Article 19 of the RF Criminal Code, under which only a criminally sane natural person that attained the appropriate age can be criminally prosecuted. This provision reflects one of the fundamental principles of Russian criminal law – the principle of personal and culpable liability of a person.

At the same time, Russian legislation establish effective sanctions against legal persons for crimes associated with money laundering or terrorist financing.

In particular, Article 15.27 of the RF Code of Administrative Offences stipulates an administrative fine of 50,000 to 500,000 rubles or administrative suspension of activity for a period of up to 90 days for violations of AML/CFT laws by legal persons. Under Article 13 of the AML/CFT Law, institutions operating under a license, which are in breach of this law, are subject to a sanction of revocation (annulling) of the license. Liquidation of institutions implicated in terrorist activities, including terrorist financing, is envisaged in the Federal Law dated 6 March 2006 No. 35-FZ "On Countering Terrorism". The possibility of court-ordered liquidation of a public or religious association or other institution engaged in extremist activity is envisaged in Article 9 of the Federal Law dated 25 July 2002 No. 114-FZ "On Countering Extremist Activity". Finally, Article 16 of the RF Civil Code stipulates that a legal person may be liquidated by court decision if it engages in activities prohibited under law or in violation of the RF Constitution, or commits repeated or grave violations of the law.
5. During the evaluation mission, many law enforcement officers in the regions complained they never participated in international training events. What measures have been taken by the Russian authorities to improve training programs for law enforcement officers in the regions, in particular the Far Eastern District?
In the 1st half of 2009, the International Training and Methodological Center of Financial Monitoring developed a Standard Training and Professional Development Program for Russian Law Enforcement Officers engaged in AML/CFT efforts and Methodological Recommendations on the Training and Professional Development of Professionals for the national AML/CFT system. This program with the methodological recommendations were coordinated with the Nizhniy Novgorod Academy of the MIA, the Economic Security Academy of the MIA, and the FSS Academy, and forwarded to the MIA, FSS, FSKN and the GPO to be used by their respective educational institutions. In 2009, the International Training and Methodological Center of Financial Monitoring also developed a program of short-term seminars of Russian law-enforcement officers engaged in AML/CFT efforts. Under this program, the International Training and Methodological Center of Financial Monitoring held one-day training seminars throughout 2009, attended by representatives of the headquarters and territorial bodies (including from the Far Eastern Federal District) of the MIA, FSKN, and FSS.
6. How many new FIU employees were recruited since the mutual evaluation?
Total staff of Rosfinmonitoring and its Interregional Departments is 645 employees. In 2008 it had 102 vacancies, as to August 2009 it has 60 vacancies. The most of vacancies have been announced.

Answers from the second progress report

1. What additional measures have been taken to minimize corruption at law enforcement, prosecution and other competent authorities since the adoption of the first progress report?
In order to improve the mechanism for fighting corruption in 2010, a number of fundamental laws and regulations was adopted: The Presidential Decree No. 460 as of 13.04.2010 approved the National Anti-Corruption Strategy and National Anti-Corruption Plan for 2010 - 2011, which determined the main directions and measures aimed at corruption restriction; The Presidential Decree as of 01.07.2010 № 821 approved the new Regulations on the commissions on compliance with the requirements for official conduct of federal government employees and resolve conflicts of interest; The Decree of the Russian Federation Government No.96 as of 26.02.2010 approved a new method of conducting anti-corruption expertise of legal acts and draft laws and regulations, as well as the procedure for its implementation. In addition, in 2010, certain changes were made in the number of previous acts. For example, on January 12, 2010 the following Presidential Decrees were amended: No. 1065 as of 21.09.2009 "On the verification of correctness and completeness of the information submitted by citizens, aspiring to fill the positions of the federal public service, and federal government officials, and of compliance of federal civil servants with the requirements for official conduct", No. 1066 as of 21.09.2009 "On the verification of correctness and completeness of the information submitted by citizens, aspiring to fill public positions of the Russian Federation, and persons who hold public positions of the Russian Federation, and of compliance with the restrictions for persons holding public positions of the Russian Federation", and No.559 as of 18.05.2009 "On the providing by citizens, aspiring for positions of the federal public service, and federal government officials, of information about incomes, property and liabilities of material nature." On July 1st, 2010 the Presidential Decree No. 815 as of 19.05.2008 "On the measures for combating corruption" was amended in the part regarding the order of work and the personal composition of the Presidential Council of the Russian Federation for combating corruption. The Joint Order of the Prosecutor General's Office of the Russian Federation and the Ministry of Internal Affairs of the Russian Federation No. 450/85/3 as of 28.12.2010 No. 187/86/2 of 30.04.2010 «On enactment of Articles of the Criminal Code of the Russian Federation used for formation of statistical reporting" has identified a list of corruption-directed crimes. Prosecutor General of the Russian Federation had issued orders No. 209 as of 15.05.2010 "On strengthening the prosecutor's supervision in the light of the National Anti-Corruption Strategy" and No. 208 of 15.05.2010 "On organization of implementation of the National Anti-Corruption Plan for 2010-2011," which approved a comprehensive action plan against corruption for 2010 - 2012 years. In the first half of 2011 improvement of the regulatory and legal framework of corruption counterwork continued to improve. Thus, the Federal Law No. 97-FZ "On Amendments to the Criminal Code of the Russian Federation and the Russian Federation Code of Administrative Offences in connection with the improvement of public administration in fighting corruption" of 04.05.2011 brought a number of significant changes into the criminal and administrative legislation of Russia.

In particular, the Criminal Code of the Russian Federation provides for crimes such as commercial bribery, giving and accepting bribes, along with restriction of liberty and imprisonment, an additional, new type of criminal punishment in the form of multiple fine of up to one hundred times the amount of commercial bribery or bribe (from 25 thousand rubles up to 500 million rubles). Criminal liability is differentiated depending on the size of a bribe - in the simple rate, a substantial scale, large and especially large scale.

Criminal liability was introduced for mediation in bribery, i.e. for direct transmission of a bribe on behalf of the giver or taker, or otherwise facilitating them to achieve or implement the agreement on the receipt of a bribe of a significant (large, especially large) scale, promise or offer mediation in bribery.

A provision was excluded from the Criminal Code, according to which foreign officials and officials of public international organizations who have committed crimes against the government, civil service and service in local government, should be criminally liable in cases specified by international agreements of Russia. It is envisaged that such foreign officials and officials of public international organizations are criminally liable for giving, receiving bribes and mediation in bribery at common grounds.

The abovementioned Federal law in the Code of Administrative Offences of the Russian Federation increased the statute of limitations for administrative prosecution for violation of Russian legislation on combating corruption - from 1 to 6 years from the date of an administrative offense, as well as established administrative responsibility not only for the illegal transfer, but for the illegal offer or promise on behalf of or for the benefit of a legal entity of official money, securities or other property, provision of the property-related services, provision of property rights for committing actions (inaction) connected with the occupied position. In addition, the procedure for legal assistance in cases of administrative violations was specified.

The Presidential Decree No. 233 "On some issues of organization of the Presidium of the Presidential Council of Combating Corruption" as of 25.02.2011 approved the "Regulations on order of consideration by the Presidential Council of Combating Corruption of issues relating to compliance to the occupational (official) conduct of persons holding public office positions in the Russian Federation and some positions of the federal public service, and on settling of the conflict of interest, as well as some applications of citizens."

The Presidential Decree No. 657 "On the monitoring of law enforcement in the Russian Federation" as of 20.05.2011 aims, among other matters, on combating corruption. This Decree approved the "Regulation on the monitoring of law enforcement in the Russian Federation", which determined that based on the monitoring of law enforcement in the Russian Federation responsible authorities, among other issues, are developing proposals for measures of enhancing the effectiveness of combating corruption (paragraph "g" p. 14)

The Order of the President of the Russian Federation No. 370-rp "On the organization in 2011 of training of federal public officers, whose duties include participation in combating corruption" as of 07.06.2011 defined the procedure of training up to 1,000 federal public officers whose duties include participation in combating corruption, according to the educational program "Functions of human services subunits of the federal government bodies for preventing corruption and other offenses" of up to 36 hours.

Changes in the organization of combating corruption at the federal, regional and local levels in 2010-2011 were determined by the need of implementation of the National Anti-Corruption Strategy and National Anti-Corruption Plan for 2010-2011, approved by Presidential Decree No. 460 as of 13.04.2010.

Thus, in accordance with the Decree of the President of the Russian Federation No. 559 "On the providing by citizens, aspiring for positions of the federal public service, and federal government officials, of information about incomes, property and liabilities of material nature " as of 18.05.2009, the

Ministry of Interior Affairs issued an Order No. 205 "On the order of presentation of information on incomes, property and property obligations by citizens, aspiring for posts in the Ministry of Interior Affairs of Russia, and the officers of internal affairs, internal troops, and federal government civilian employees of the Ministry of Interior Affairs " as of 19.03.2010. The same order defined the procedure of checking of correctness and completeness of information submitted by citizens applying for a position at the Ministry of Interior Affairs of Russia, data on income and property obligations.

Due to the large number of requests coming from the units of the FCS of Russia, a newsletter was prepared as of 01.06.2010 "On the procedure oh application of Decree of President of the Russian Federation No. 1065 of September 21st, 2009 in the customs authorities of the Russian Federation", which explained the procedure for verification of information submitted by citizens claiming to hold positions of the federal public service.

The Prosecutor General's Office of the Russian Federation issued a decree No.126 "On approval of the Order on presentation information about income, property and liabilities of material nature in bodies of public prosecution and institutions of the Russian Federation " as of 25.03.2011. A newsletter was also prepared No. 86/1-148-2010 «On the practice of public prosecution of compliance with current legislation on preventing and resolving conflicts of interest in public and municipal service" as of 25.06.2010.

For the corruption prevention and decrease purposes the great attention in law enforcement bodies was paid to the organization of anticorruption examination carrying out. The information letter of the General Prosecutor's Office of the Russian Federation No. 86/1-216-2010 «On the practice of anticorruption examination carrying out of regulatory legal acts by bodies of General Prosecutor's Office» dated June 21, 2010 is devoted to given issue.

In the Ministry of Internal Affairs of Russia the order №15 «On the organization of carrying out of corruptibility examination of regulatory legal acts projects and other documents in the system of the Ministry of Internal Affairs of Russia» dated January 15, 2010 have been issued. The procedure of anticorruption examination of regulatory legal acts projects of the Federal Customs Service of Russia in the Federal Customs Service of Russia had been approved by the order No. 533 of the Federal Customs Service of Russia, as of March 22, 2010.

Because of an approval of a new procedure of anticorruption examination of regulatory legal acts and regulatory legal acts projects by the Government of the Russian Federation in 2010, the Federal Security Service of Russia has made appropriate amendments to the Instruction on the procedure of anticorruption examination of regulatory legal acts projects of the Federal Security Service of Russia and regulatory legal acts of the Federal Security Service of Russia in the bodies of the Federal Security Service.

The important preventive factor in the sphere of counteraction against corruption in the public authorities is an obligation of state and municipal employees, established by the Federal law No.273-FZ «On the counteraction against corruption», as of December 25, 2008, to notify the representative of the employer (hirer), public prosecution bodies or other public authorities of all requests to them of any persons for the purpose of incitement to commit corruption offences.

In pursuance of the given item the Order of the Federal Customs Service of Russia No. 57 «On the approval of the procedure of notification by customs authorities public officers of customs authorities heads of the requests for the purpose of incitement to commit corruption offences and of the organization of received notifications check», as of January 18, 2010, and the Order of the Federal Drug Control Service of Russia No. 90 «About the approval of the procedure of notification of the representative of the employer of the requests for the purpose of incitement of employees, federal state civil officers of bodies on narcotic drugs and psychotropic substances to commit corruption offences », as of March 13, 2010, have been issued.

For the purpose of optimization of preparation of the statistical reporting in the sphere of counteraction against corruption the amendments has been made to the List of articles of the Criminal code of the Russian Federation, used when forming the statistical reporting, by the joint Directive No.187/862 of the General Prosecutor's Office of the Russian Federation and the Ministry of Internal Affairs of the Russian Federation, as of April 30, 2010. A new section which has fixed the list of articles of the Criminal code of the Russian Federation, concerning corruption offences, had been introduced by the given Directive. Owing to it the unified mechanism of forming of the statistical reporting concerning corruption offences has been made.

The given list has been modified by the Directive No. 450/85/3 of the Public Prosecutor's Office of the Russian Federation and the Ministry of Internal Affairs of Russia «On the enactment of Lists of articles of the Criminal code of the Russian Federation, used when forming the statistical reporting», as of December 28, 2010.

On the regional and municipal level the aim of changes in the system of organization of counteraction against corruption was a correction of regional and municipal regulatory legal acts or an adoption of new acts according to the National anti-corruption strategy and the National anti-corruption plan for 2010-2011.

For the purpose of strengthening of counteraction against corruption in public authorities the Decree of the President of the Russian Federation No.821 «On the commissions on observance of requirements in regard to official behavior of federal state employees and on settlement of the conflict of interests», as of July 1, 2010, pursuant to which The regulations on the commissions on observance of requirements in regard to official behavior of federal state employees and on settlement of the conflict of interests have been approved, has been adopted.

The goals of the given commissions are to guarantee the observance of restrictions and prohibitions, requirements in regard to the prevention or settlement of the conflict of interests by federal state employees and to take corruption prevention measures in the public authority. The establishment and activity of such commissions can essentially reduce a quantity of corruption offences in the specific federal authority. It is necessary to notice that the given commissions perform the activity only in respect of the state civil officers, and the appropriate professional licensing commissions have been vested their authorities in respect of other state employees (servicemen, employees of law-enforcement bodies, public prosecutor's employees, etc.).

The formation of system of the organization of counteraction against corruption has been proceeding on various levels in the first half of 2011.

The laws analysis has shown that in the federal executive authorities the general attention has been paid to the procedure of notification of the representative of the employer (hirer) of the requests for the purpose of incitement of federal state civil employees to commit corruption offences, there have been approved about 20 such documents.

For example, the procedure of notification by employees and federal state civil officers of the Investigative Committee of the Russian Federation of the representative of the employer (hirer) of all requests to them of any persons for the purpose of incitement to commit corruption offenses has been approved by the Order №11 of the Investigative Committee of the Russian Federation, dated January 15, 2011.

Also a number of the legal acts, regulating activity of the commissions on observance of requirements in regard to official behavior of federal state employees and on settlement of the conflict of interests, as well as a procedure of representation of the information about income, property and estate liabilities by employees, have been adopted.

The Code of ethics and official behavior of the federal state civil officers of the Public Prosecution bodies

of the Russian Federation had been approved by the Order No.79 of the General Prosecutor of the Russian Federation, as of March 25, 2011. The Code includes main principles and rules of official behavior of the civil officers of the Public Prosecution bodies; ethical standards of official behavior of the civil officers of the Public Prosecution bodies; responsibility of the federal state civil officers for infringement of the Code. The procedure of representation by the citizens, competing for vacant posts of federal public service in customs authorities of the Russian Federation, and by the federal state employees, filling the posts of federal public service in customs authorities of the Russian Federation, of the information about their income, property and estate liabilities, as well as details of income, property and estate liabilities of their spouses and minor children, have been approved by the Order No.14 of the Federal Customs Service of Russia, as of January 12, 2011. The procedure of reliability and completeness validation of the information represented by citizens, competing for vacant posts of federal public service, and federal state employees and observance of requirements in regard to official behavior by federal state employees have been approved by Order №79 of the Investigative Committee of Russia, as of May 4, 2011. The procedure of forming and activity of the commission of local body of the Federal Drug Control Service of Russia on observance of requirements in regard to official behavior by federal state civil employees and on settlement of the conflict of interests have been approved by the Order №117 of The ***Federal Drug Control*** Service of the ***Russian Federation, dated*** April 7. 2011.
2. Have any assets been frozen in accordance with UNSCR 1373 in Russia since the adoption of the first progress report (both according to the domestic list or upon a request of foreign authorities)?
Please see Table 6 in Annex I.
3. How many new FIU employees were recruited since the adoption of the first progress report?
Total number of vacancies in Rosfinmonitoring and its Inter- Regional Departments is in December 2010 - 59, as of June 30, 2011 - 27. Thus, as a result of deliberate personnel policy, the number of vacancies has decreased 3.7 times, in comparison with 2008. The rest of vacancies have been announced
4. In the third round MER, the evaluators regarded the Russian authorities' position concerning the criminal liability in Russian legal system as not convincing. Has any further consideration been given to introduce criminal liability for legal persons since the adoption of the first progress report? Have any measures been taken to increase the monetary penalties available for legal persons for ML and TF offences?
The Federal Law No. 176-FZ of July 23, 2010 establishes severe administrative liability for organizations executing transactions with monetary funds and other property for failure to comply with the law on combating money laundering and terrorist financing resulting in an instance of money laundering or terrorist financing established in accordance with a valid court sentence. That applies if such action (inaction) does not constitute a criminal offence. This act is punishable by an administrative fine ranging from thirty to fifty thousand rubles or disqualification for a period between one and three years for

officials; from five hundred thousand to one million rubles fine or administrative suspension of activity for up to ninety days for legal entities.

This level of liability of legal persons in the Russian legal system is similar to criminal liability of legal persons applied in other legal frameworks.

The possibility of introducing the grounds for liability of legal entities to the Criminal Code of the Russian Federation was discussed on several occasions, with the participation of the President of the Russian Federation.

As a result of these discussions, the grounds for liability of legal entities in Russia are included in the Code of Administrative Offences and the Civil Code of the Russian Federation.

There are many enforcement measures, including liquidation, provided by financial, administrative, arbitration, civil and other laws that exist and are successfully applied against legal entities in our country. Thus, in particular, on the grounds and in the manner prescribed by the Civil Code of Russia (Article 61), Civil Procedure Code of Russia (Art. 245), Administrative Code of Russia, Federal Laws "On Combating Extremist Activity", "On Combating Money Laundering and Terrorist Financing" and "On Countering Terrorism", any entity engaged in perpetration of an illegal activity or in other activities provided for in the existing law may be liquidated by a court decision, its financial operations may be suspended, or it may be subject to an administrative fine, administrative suspension of activities, confiscation of instrument of crime or the object of an administrative offence.

5. Have the draft amendments to the AML/CFT Law, requiring FIs to obtain credible information on beneficial ownership of the customer been enacted? If so, what other measures have been taken or exist in Russian law to ensure the accuracy, adequacy and currency of information on beneficial ownership? Have similar requirements for FIs been introduced for the information on the control of legal persons?

For the purpose of further identification mechanism consolidation there was adopted Federal Law dated 23.07.2010 No. 176-FZ “On amending in Federal Law on “the Counteraction of the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism” and Administrative Offences Code of the Russian Federation.

The beneficial owner’s identification requirements have been expanded. In particular, Federal Law No. 176-FZ directly establishes obligation to identify beneficiary. Government Order as of 10.06.2010 No. 967-p requires to pay attention on the following while legal units identification:

a) legal unit founding members (participants);

b) legal unit regulatory agencies structure and their power;

c) the amount of registered and paid nominal (share) capital or the amount of stock, value of legal unit property.

Requirements for identification have been approved by Rosfinmonitoring in the development of provisions of the AML/CFT Law with regard to identification (order as of 17.02.2011 No. 59).

In particular, paragraph 1.7 of the order requires from entities to use information, contained in unified state legal units register, foreign countries representative offices accredited on the Russian Federation territory public register, as well as information about lost, bad passports, dead individuals passports, lost blank passports obtained in accordance with the applicable procedure from relevant federal executive authorities according to Paragraph 5 of Federal Law Article 9, while client, client representative, beneficiary identification.

Thus, entities are obliged and have possibility to obtain reliable information on beneficiary owners.

In addition to Order No.59 Paragraph 2.7 requirements to the documents have been stated, under which identification can be implemented, in particular, helpful while beneficiary identification documents have to be valid at the moment of filing.
6. Have additional trainings been provided for law enforcement officers in the regions, particularly the far Eastern district?
The training of the public law enforcement officials is carried out on an ongoing basis in Rosfinmonitoring Inter-regional Departments. So in January – July 2011 10 trainings have been carried out by Rosfinmonitoring Inter regional Departments on the Far Eastern Federal District. During the trainings the following issues were discussed: - fight against corruption; - non-profit organizations activity, specifically, cooperation in the region of counteraction of non-profit organizations extremist activity; - set-up of interdepartmental interaction in the region of counteraction of the legitimization of the proceeds of crime, including drug crimes, and financing of terrorism; - efficiency of law enforcement agencies and state of investigative and operational subdivisions in detection and investigation of crimes in the sphere of national projects implementation; - effectiveness of implementation of the AML/CFT requirements by legal entities and individuals.
7. Please describe how many investigations and convictions for money laundering since the first progress report relate to autonomous money laundering (including on behalf of organised crime) and how many relate to self-laundering. What are the major underlying predicate offences involved? Please provide an indication of the range of sentences imposed since the first progress report for autonomous ML.
According to Ministry of the Interior Main Information Analysis Center, the public law enforcement officials in 2010: • according to Article 174-1 of the Russian Federation Criminal Code there were 1 652 acts of crime qualified, (in the first half of the 2011 year –278); • 110 acts of crime were qualified according to Article 174 of the Russian Federation Criminal Code (in the first half of the 2011 year –149). In 2010 the courts passed 63 sentences under Articles 174 and 174^1 of the Russian Federation Criminal Code, 124 accused had been convicted according these Articles. Amount of laundered income amounted to 2 416 630 thousand of rubles under these sentences. The predicate offences which were detected more regularly are: - fraud (Article 159 of the Criminal Code) share among other predicate offences amounts to 61%; - unlawful entrepreneurship (Article 170), share – up to 11.4 %; - misappropriation or embezzlement (Article 160), share – up to 6%; - smuggling (Article 188), share - 3.8 %; - illegal banking activity (Article 172) – 3.2 %; - misuse of official powers (Article 285) – 2.4%

- and others Money laundering (Article 174 of the Criminal Code) as a separate criminal offence is punishable by fine which amounts up to 1 million rubles or imprisonment for a term up to 10 years. Moreover, the fine can be used as an additional or separate punishment to the imprisonment. The proceeds laundered subject to confiscation.

Additional questions since the second progress report

1. Have any assets been frozen in accordance with UNSCR 1373 in Russia since the adoption of the second progress report (both according to the domestic list and upon a request of foreign authorities)?
Please see Table 6
2. In the second progress report it was noted that the Russian Federation introduced a financial threshold for criminalisation of self-laundering (Article 174.1 of the CC). In this respect what specific measures have been taken by the Russian authorities to reconsider and remove this financial threshold?
For eliminating deficiencies in implementation of the FATF Recommendations Federal Law No.134-FZ dated 28.06.2013 "On Amendments to Certain Legislative Acts of the Russian Federation Pertaining to Combating Illicit Financial Transactions" was drafted and adopted. This Law removed the threshold amount established in Article 174.1 of the RF Criminal Code.
3. Were there any sanctions imposed on financial institutions, including DNFBPs for not identifying beneficial owners and establishing business relationships with them? If so, can you please provide statistics?
Federal Law No.134-FZ has amended Article 15.27 of the Code of Administrative Offences which now establishes liability of institutions/ entities engaged in transactions with funds or other assets for failure to provide information on transactions of their customers and beneficial owners of customers or information on customer account (deposit) activity requested to the designated AML/CFT authority. Failure to provide such information is punishable by administrative fine imposed on legal entities in amount of three hundred thousand up to five hundred thousand rubles.
4. In the second progress report it was stated that the FSB of Russia with the Prosecutor General's Office and the Russian Ministry of Interior had reviewed the CTF law enforcement practice, including the use of the alternative remittance systems. Could the Russian Federation please provide a brief description of the conclusions of this work?
This is a special document elaborated by the FSB
5. Has the Russian Federation taken any steps to ensure that its legislation requires adequate transparency concerning beneficial owners and control of legal person?
Federal Law No.134-FZ introduces the term "beneficial owner" which, for the purpose of the Law, refers to an individual who ultimately owns (holds over 25% interest), directly or indirectly (through third parties), a corporate customer or otherwise controls its actions. RF Government Resolution No.577

amended RF Government Resolution No.667 dated June 30, 2012 “On Adoption of Requirements for Internal Control Rules Developed by Entities Engaged in Transactions with Funds or Other Assets (Except for Credit Institutions) and on Invalidation of Certain Regulations of the RF Government”. According to these amendments the identification requirements are extended and apply now to beneficial owners. Besides that, Bank of Russia has issued, in coordination with Rosfinmonitoring, the Letter that describes in detail the course of actions to be taken by institutions engaged in transactions with funds or other assets for identifying beneficial owners (BoR Letter No.14-T dated 28.01.2014). Currently Russia implements the interdepartmental National Action Plan for fighting tax evasion and concealment of beneficiary owners of companies aimed at implementing the revised FATF Recommendations, the G8 Decisions made in June 2013 in Lough Erne and the G20 Declaration adopted in September 2013 in St. Petersburg.
6. What specific steps have been taken by the Russian Federation to conduct a national risk assessment (NRA)?
The Federal Financial Monitoring Service (Rosfinmonitoring) was empowered to perform the functions of combating money laundering and financing of terrorism, formulation of public policy, regulation in this sphere, coordination of relevant activities of other federal executive agencies as well as the functions of the national center for evaluation of threats to national security arising in money laundering, financing of terrorism and proliferation, and for elaboration of measures to counteract such threats. Rosfinmonitoring is preparing the draft of the first report for the RF President

2.5. Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)[10]

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	*Even though the Russian Federation is not an EU member and is not contemplating EU membership, we strive to maximum possible application (with provisions for the specifics of the national legal system) of the provisions of these EU Directives, considering them to be an expert guidance for Russia generalizing the best AML/CFT practices of European states.*
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive[11] (please also provide the legal text with your	Rosfinmonitoring and the ministries and agencies concerned have drafted the oft-mentioned Federal Bill "On Amendments to the Federal Law 'On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism' ", which broadens the scope of notions of the AML/CFT Law by defining the notion of "beneficial owner". Beneficial owner means a proxy giver, grantor, principal, owner or other person on whose behalf and (or) in whose interests and (or) at whose expense the customer (customer's representative) carries out a money and value transfer. We believe that this definition corresponds to the 3rd Directive.

10 For relevant legal texts from the EU standards see Appendix II.

11 *See Please see Article 3(6) of the Third Directive reproduced in Annex II.*

reply)	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive (please also provide the legal text with your reply)	The Federal law from 23.07.2010 № 176-FZ, amended the AML/CFT Law, introduced definition of concept "beneficiary", and also specified the data volume subject to an establishment concerning the beneficiary. Therewith Item 1 of Article 7 of the AML/CFT Law provide identification of beneficiaries. Decree of the RF Government No.967-r (item 11requires that in the course of identification of legal entities to pay special attention on the following issues: a) the list of the legal entity's founders (shareholders); b) the structure of the legal entity's management bodies and their powers; c) the size of registered and paid-up authorized (share) capital or the size of authorized fund and the value of assets of a legal entity. Besides, according to Item 1.2 of Bank of Russia's Regulation № 262-P credit institutions determine and identify the beneficiary, i.e. the person for benefit of which the client acts, in particular on the basis of the agency agreement, contracts of agency, the commission, while performing bank and other transactions. The Order of FFMS of the RF as of 20.07.2010 No. 10-49/pz-n approved Provision on approval of requirements for licensing and conditions for rendering professional activity on securities markets (further - Provision). Under this Provision full information on ownership structure should be read as the information disclosing on the person or a group of persons which directly or indirectly own five and more percent of charter (joint stock) capital of the licensee. Therewith the information on the specified person or a group of persons is considered to be disclosed, if such person (the persons entering into a group of persons) is the Russian Federation, constituent of the Russian Federation, municipal unit, the individual person, the juridical person disclosing the information in terms of Article 30 of the Federal law from 4/22/1996 No.39-FZ «On the securities market» or is non-profit organization (except for noncommercial partnership), and also foreign persons having the similar status. The full information on ownership structure of the licensee should be provided to FFMS of Russian Federation on the magnetic media and in a paper form not later than 15 working days following after accounting quarter.
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive[12]	Yes, it complies. See information on R.5

[12] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II.

(please also provide the legal text with your reply)	

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations	The approach based on the assessment of the risk of ML/TF transactions is the core approach in anti money laundering procedures. Transactions showing a heightened degree (level) of risk of involvement in ML or TF require an extra measure of control from credit institutions. Pursuant to item 2.9 of the BoR Policy dated 19 August 2004 No. 262-P "On the identification of customers and beneficial owners by credit institutions with a view to combating money laundering and terrorist financing", the transactions of heightened degree (level) of risk include: - transactions by a non-CI legal person (its standalone business unit) or individual entrepreneur involving withdrawal of cash from a bank account (deposit account) (with the exception of withdrawal of cash representing salaries and compensations under Russian labour laws, pensions, stipends, benefits and other mandatory social payments under Russian laws, as well as payment for stationery and other household expenses, except the purchase of fuel and lubricants and agricultural products); - transactions with residents of countries or territories named in items 2, 3 of Appendix 1 to the BoR Directive dated 7 August 2003 No. 1317-U "On the procedure for the establishment by authorised banks of correspondent relations with non-resident banks registered in states and on territories granting a privileged tax regime and/or not stipulating the disclose and furnishing of information in the conduct of financial operations (in offshore zones)", registered by the Russian Ministry of Justice on 10 September 2003 under No. 5058; - the business of organizing and maintaining sweepstakes and gambling outlets (casinos, bookmaker's, etc.), organizing lotteries, sweepstakes (mutual betting), and other gambling games, including in electronic form, as well as operation of pawnshops; - operations involving sales, including on commission, of antiques, furniture, and passenger cars; - transactions in precious metals and stones, jewellery containing precious metals and stores, and jewellery scrap; - transactions in real estate and real estate agency services in transactions in real

	estate; - transactions with a legal person whose permanent governance bodies, other bodies or persons authorized to act on behalf of this person without power of attorney, are absent at the location address of this legal person; - presence of suspicious transactions in the customer's activity, which are reported to the competent authority (this subparagraph may be disregarded if no suspicious transactions subject to reporting to the competent authority were not detected during a period established under this Provision for updating information obtained upon customer identification and beneficial owner determination and identification); - recurring transactions whose nature gives reasons to believe that they are conducted with the objective of evading the mandatory control procedure stipulated in the Federal Law "On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism"; - money transfers by legal persons to bank accounts (deposit accounts) of natural persons (except salaries and compensations under Russian labour laws, pensions, stipends, benefits and other mandatory social payments under Russian laws) with subsequent withdrawal by said natural persons of such money in cash or its transfer to bank accounts (deposit accounts) of other persons; - banking transactions and other deals carried out using Internet technologies; - transactions with residents of countries or territories which, according to international sources, do not comply with the generally accepted AML/CFT standards or are countries or territories with high levels of corruption; - transactions with residents of countries or territories which, according to international sources, are illegally producing or smuggling narcotic substances, as well as countries and territories permitting uncontrolled circulation of drugs (except countries or territories using narcotic substances exclusively for medicinal purposes). A credit institution may also use additional types of high-risk transactions.
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	The Federal Financial Monitoring Service (Rosfinmonitoring) is the federal executive agency that performs the functions of combating money laundering and financing of terrorism, formulation of public policy, regulation in this sphere, coordination of relevant activities of other federal executive agencies as well as the functions of the national center for evaluation of threats to national security arising in money laundering, financing of terrorism and proliferation, and for elaboration of measures to counteract such threats.

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive[13] are provided for in your domestic legislation (please also provide the legal text with your reply).	Russia adopted Federal Law No. 121-FZ dated 3 June 2009, which establishes the following additional obligations for institutions carrying out transactions in money when serving foreign PEPs: 1) Take justified measures available under the circumstances to detect foreign PEPs among the existing or potential private customers; 2) Provide services to foreign PEPs only based on a written decision by the manager of the institution carrying out transactions with monetary funds and other property, or the manager's deputy, as well as the manager of the standalone business unit of the institution carrying out transactions with monetary funds and other property, to whom the institution's manager or deputy manager delegated the appropriate authority; 3) Take justified measures available under the circumstances to determine the sources of money or other value belonging to foreign PEPs; 4) Regularly update the information at the disposal of the institution carrying out transactions with monetary funds and other property about foreign PEPs among its customers; 5) Focus heightened attention on transactions with monetary funds and other property carried out by foreign PEPs, their spouses, family members (direct family members in the upward or downward line (parents and children, grandparents and grandchildren), blood siblings and half siblings (siblings having a common father or mother), adoptive parents and adopted children) or on behalf of such persons, if they are customers of the credit institution. These requirements are not applied by credit institutions for transactions below RUB 15,000 or a foreign currency amount equivalent to RUB 15,000, which involve purchase or sale of foreign currency in cash form by natural persons or making money transfers at the request of natural persons without opening a bank account, except where employees of the institution carrying out money or value transfers have reasons to suspect that such transactions are carried out for ML or TF purposes. Additionally, Russia adopted Federal Law dated 25 December 2008 No. 273-FZ "On countering corruption". The Law establishes the basic principles of countering corruption, legal and organizational fundamentals for preventing and combating corruption, minimizing and (or) eliminating consequences of crimes of corruption. It is supplemented by the RF Presidential Decree dated 18 May 2009 No. 557, establishing lists of state employees who are obligated to report their income and that of their family members. Therefore, Russia has created the legal groundwork for monitoring incomes of Russian PEPs. Russia has analyzed the expedience of extending the measures of enhanced transaction monitoring to Russian PEPs, with the analysis results presented to the Russian Government. This approach has been deemed expedient, and the relevant federal bills are now being drafted.

[13] *See Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.*

	In determining whether or not a foreign national is a PEP, Rosfinmonitoring and other supervisory bodies proceed from the definition provided in item "c" of Article 2 of the UN Convention Against Corruption. This position has been brought to the attention of FIs through relevant information postings on the official Rosfinmonitoring website. The BoR Letter dated 18 January 2008 No. 8-T "On the application of item 1.3 of Article 7 of the Federal Law 'On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism" brought the list of definitions of "publicly exposed persons" contained in documents published by international organizations to the attention of credit institutions.
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive are provided for in your domestic legislation (please also provide the legal text with your reply).	Subsections 3 and 4 of Item 1 of Article 7.3 of the AML/CFT Law (in edition of Article 3 of the Federal law No. 121-FZ) bind organizations, performing operations involving monetary resources or other assets, to take the measures reasonable and accessible under present circumstances for determination of source of funds or other assets of foreign public officials, and also on regular basis to renew measures available for organization that performs operations involving monetary resources or other assets, information on foreign public officials serviced by this organization. The Federal law as of23.07.2010 No. 176-FZ introduced the concept of "beneficiary". In accordance with specified Federal law financial organizations, and primarily credit organizations, should receive accurate information on the beneficial ownership of their clients and take action under the AML/CFT Law. Federal Law as of 23.07.2010 No.176-FZ introduces the term "beneficiary". In accordance with specified Federal law financial institutions, and primarily credit ones, will be receiving accurate information about the beneficial ownership of their clients and take action under the the AML/CFT Law. 04/28/2011 President of Russian Federation has introduced to the State Duma legislation "On Amendments to Certain Legislative Acts of the Russian Federation relative to the improvement of state administration in a field of anti-corruption", directed to solve a number of conceptual problems. Thus, in order to improve the efficiency of the verification and completeness of information on income, property and estate liabilities Federal laws "On Banks and Banking Activity" and "On state registration of Immovable Property Rights and transactions therewith" and Tax Code of the Russian Federation are complemented with the provision under which banks and other credit organizations, the registration and tax authorities are obliged under the law on anti-corruption to provide to leaders (officials) of the Federal state authorities, list of which is defined by the President of the Russian Federation, and the top officials of the Russian Federation (heads of higher executive authorities of constituent entities of the Russian Federation) the data on income, property and estate liabilities (including information on transactions, accounts and deposits) of citizens claiming to fill the Russian Federation public posts, as a judge, public positions of the Russian Federation constituent entities, heads of municipalities and public offices, replaced on an ongoing basis, federal public service positions, the State Civil Service of the Russian Federation constituent entities, municipal service, leadership positions in the public corporation, fund or other entity created by the Russian Federation in accordance with federal law, individual posts, replaced under an employment agreement, in organizations, institutions and enterprises that are created to perform

	the tasks assigned to federal government agencies, persons holding listed positions, spouse (spouses) and minor children of these persons and entities. Please specify, whether the ban is limited to notification of the operation or the ongoing investigation also covers ML and FT.
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive[14] are provided for in your domestic legislation (please also provide the legal text with your reply).	See information on R.6.

"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.	Article 4 of the AML/CFT Law classifies a prohibition on tipping off customers and other persons about AML/CFT measures being taken as one of the measures aimed at AML/CFT. Under item 6 of Article 7 of the AML/CFT Law, employees of institutions reporting the relevant information to the competent authority are prohibited from tipping off customers and other persons. The Federal Bill "On Amendments to the Federal Law 'On Combating Legalisation (Laundering) of Proceeds from Crime and Financing of Terrorism' states that not only employees of the institutions disclosing the relevant information to the competent authority, but also managers of such institutions should not tip off customers of such institutions and other persons about the AML/CFT measures being taken.
Please indicate whether the prohibition is	See information on R.14.

[14] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

limited to the transaction report or also covers ongoing ML or TF investigations.	
With respect to the prohibition of “tipping off” please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	With regard to the prohibition on "warning", please specify whether there are circumstances in which the ban is lifted and, if it is so, specify the details of such circumstances. In legislation definition and law enforcement practice of the Russian Federation under employees also understood the managers of the organization and proceeds from the assumption that the ban on information for employees means a ban on information for the organization because of absence of physical nature, the organization can not act otherwise than as through the actions of its employees. However, to comply with demand better, the Federal Law as of 23.07.2010 No.176-FZ amending AML/CFT Law provides that "the organizations representing the relevant information to the authority, as well as managers and employees of organizations representing the appropriate information to the authority is not entitled to inform the clients of these organizations or individuals".
With respect to the prohibition of “tipping off” please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	

“Corporate liability”	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading	See information on R.2.

position within that legal person.	
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	The State Duma has passed in the first reading a bill under which the AML/CFT regime would be applied to all transactions in amounts equal to or exceeding RUB 600,000 in cash, in which case such transactions are subject to mandatory control. Rosfinmonitoring and other authorities have analyzed the possibility to establish control over all such transactions involving acquisition of high-value items and luxury possessions, and have found this decision to be expedient. The relevant proposals have been submitted to the Russian Government.
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	Russian Federation has analyzed the application of the regulations for AML / CFT for all DNFBPs. In the Russian Federation uniform requirements are established for anti-money laundering and financing of terrorism as for financial institutions, and for the most DNFBP - for casinos and other gambling establishments, organizations jewelry sector, for organizations handling brokering real estate transactions, as well as pawnshops, lawyers, notaries, accountants and auditors.
Please specify whether the obligations apply to all natural and	

legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	

2.6. Statistics

2.6.1 Money laundering and financing of terrorism cases

Money laundering: investigations / prosecutions / convictions (2008 – 2013)				
	Year	**Money laundering**	**Self-laundering**	**Total**
Number of ML crimes investigated	**2008**	319	8064	8383
	2009	374	8417	8791
	2010	110	1652	1762
	2011	254	450	704
	2012	265	346	611
	2013	210	372	582
	Total	**1532**	**19301**	**20833**
Number of persons investigated for money laundering	**2008**	166	2633	2799
	2009	121	2498	2619
	2010	90	829	919
	2011	162	249	411
	2012	185	168	353
	2013	174	237	411
	Total	**898**	**6614**	**7512**
Number of completed money laundering investigations	**2008**	220	7366	7586
	2009	281	7 825	8 106
	2010	97	1693	1790
	2011	249	283	532
	2012	227	195	422
	2013	198	358	556
	Total	**1272**	**17720**	**18992**

Number of money laundering cases sent to court	**2008**	119	6241	6360
	2009	208	6587	6795
	2010	52	1450	1502
	2011	107	245	352
	2012	120	165	285
	2013	93	291	384
	Total	**699**	**14979**	**15678**
Number of persons charged with money laundering	**2008**	82	2055	2137
	2009	55	1764	1819
	2010	54	612	666
	2011	95	213	308
	2012	102	142	244
	2013	96	175	271
	Total	**484**	**4961**	**5445**
Number of convictions related to money laundering (includes convictions for more or other serious crimes for which money laundering or self - laundering was only considered an aggravating crime).	**2008**	84	755	839
	2009	110	698	808
	2010	45/37[15]	409/311	454/348
	2011	67/63	135/110	202/173
	2012	24/30	5/56	29/86
	2013	69/67	106/97	175/164
	Total	**439/421**	**2173/1279**	**2612/1700**

[15] First figure is based on convictions that came into legal force on the number of crimes imputed to persons charged with main qualification + on additional qualification

[b] Second figure is based on the number of persons in respect of which there are convictions

Stand-alone convictions (2008-2013)							
Money laundering							
Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Imprisonment	2	**9**	3	1	0	0	15
Conditional imprisonment	12	**6**	3	2	1	0	24
Fine	3	**5**	3	20	29	24	84
Total Sanctions	**17**	**20**	**9**	**23**	**30**	**24**	**123**
Self-laundering							
Imprisonment	38	26	37	7	3	1	112
Conditional imprisonment	64	54	17	5	2	1	143
Fine	17	20	8	2	0	0	47
Total Sanctions	**119**	**100**	**62**	**14**	**5**	**2**	**302**

Terrorist financing: investigations/ prosecutions/ convictions (2008 - 2013)		
	Year	**Number**
Number of TF crimes investigated	**2008**	10
	2009	15
	2010	12
	2011	17
	2012	16
	2013	10
	Total	**80**

Number of persons investigated for TF	**2008**	12
	2009	9
	2010	11
	2011	20
	2012	16
	2013	10
	Total	**78**
Number of completed TF investigations	**2008**	8
	2009	10
	2010	12
	2011	5
	2012	14
	2013	5
	Total	**54**
Number of TF cases sent to court	**2008**	6
	2009	5
	2010	5
	2011	5
	2012	9
	2013	2
	Total	**32**
Number of persons convicted of TF	**2008**	1
	2009	4
	2010	2
	2011	4
	2012	9
	2013	1
	Total	**21**

Statistics on criminal cases containing FIU material (2008 – 2013)		
	Year	**Number**
Number of ML investigations (law enforcement / prosecution) containing FIU material	**2008**	3807
	2009	5593
	2010	5508
	2011	4601
	2012	4420
	2013	5624
	Total	**29053**
Number TF investigations (law enforcement / prosecution) containing FIU material	**2008**	19
	2009	15
	2010	22
	2011	17
	2012	16
	2013	10
	Total	**99**
Number of ML cases containing FIU material transferred to court	**2008**	73
	2009	115
	2010	265
	2011	93
	2012	14
	2013	108
	Total	**668**
Number of convictions for ML in cases containing FIU material	**2008**	58
	2009	85
	2010	114
	2011	39
	2012	17
	2013	56
	Total	**369**

Statistics for confiscation and freezing (2008 – 2013)				
Money laundering only				
	Year	**Total**	**Article 174 CC**	**Article 174.1 CC**
Amounts frozen or seized (x 1000 RUB)	**2008**	155 587	3 135	152 452
	2009	297 420	15 710	281 710
	2010	620 762	4 948	615 814
	2011	595 159	9630	585529
	2012	33959	5185	28774
	2013	3005526	445	3005081
	Total	**4708413**	**39053**	**4669360**
Amounts confiscated (x 1000 RUB)	**2008**	232 653	36 003	196 650
	2009	101 189	28 824	72 365
	2010	450302	307820	142482
	2011	171039	9515	161524
	2012	46457	7119	39338
	2013	732753	1410	731343
	Total	**1734393**	**390691**	**1343702**

Suspended transactions and amounts frozen (2008 - 2013)		
	Year	**Number**
Number of suspended transactions (national terrorist list only)	**2008**	11
	2009	6
	2010	2
	2011	10
	2012	1
	2013	2
	Total	**32**

Amounts frozen (USD) (national terrorist list only)	**2008**	39 396
	2009	21 847
	2010	6190
	2011	16805
	2012	3324
	2013	18610
	Total	**106172**

2.6.2 MLA requests

MLA requests related to ML (2008 - 2013)		
	Year	**Number**
MLA requests - received	**2008**	49
	2009	74
	2010	121
	2011	112
	2012	110
	2013	53
	Total	**519**
MLA requests - answered	**2008**	49
	2009	67
	2010	128
	2011	110
	2012	72
	2013	62
	Total	**488**

2.6.3 STR/CTR

Statistics on reports received by the FIU (2008 – 2013)		
	Year	**Number**
Number of STRs received by the FIU	**2008**	5 416 341
	2009	3 848 675
	2010	4 508 701
	2011	5 504 987
	2012	6 084 560
	2013	6 072 765
	Total	**31 435 929**
All reports received by the FIU (incl. STRs)	**2008**	8 597 386
	2009	6 258 975
	2010	7 232 274
	2011	8 918 349
	2012	10 132 585
	2013	10 600 251
	Total	**50 739 820**
Number of STRs transferred to law enforcement	**2008**	55 121
	2009	54 409
	2010	46 321
	2011	59 581
	2012	109665
	2013	121044
	Total	**446341**

Reports by Credit institutions						
Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Mandatory reports	2 869 557	2 173 183	2 396 004	2 883 461	3 395 131	3 683 732

STRs	5 368 717	3 830 132	4 441 210	5 453 599	6 004 443	5 976 195
All reports	**8 238 274**	**6 003 315**	**6 837 214**	**8 337 060**	**9 399 574**	**9 659 927**

Reports by non-CI FI (2008 - 2013)							
Year		**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
	Mandatory reports	6 859	5 876	5 271	7694	4700	4173
Securities markets	**STRs**	4 070	3 281	52 175	14006	15012	9831
Investment and pension funds	**Mandatory reports**	2 909	4 438	5 621	9429	13964	20884
	STRs	1 382	601	645	892	213	337
Post of Russia	**Mandatory reports**	16 364	5 108	10 370	416	229	165
	STRs	33 865	9 585	8 484	23142	29103	16313
Insurance sector	**Mandatory reports**	12 577	15 716	18 109	22333	30559	45092
	STRs	515	847	1 634	1066	1280	1995
Leasing companies	**Mandatory reports**	160 197	71 951	82 937	146664	179745	198070
	STRs	3 137	2 537	2 185	1939	1594	2162
Total		**241 875**	**119 940**	**187 431**	**227581**	**278312**	**299022**

Reports from non-credit non-financial institutions (2008 - 2013)							
Year		**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Dealers in precious metals and precious stones	**Mandatory reports**	90 185	110 486	176 448	279001	330033	399696
	STRs	2 896	1 894	396	320	958	485

Casinos	**Mandatory reports**	3 723	2 026	0	1176	1569	1195
	STRs	569	343	0	0	118	125
Real estate agents	**Mandatory reports**	18 694	13 173	18 710	40667	61212	74809
	STRs	871	409	152	278	1416	2822
Lawyers, notaries and persons providing	**Mandatory reports**	-	-	43	55	98	69
legal or accounting services	**STRs**	319	128	28	22	40	35
Total		**117 257**	**128 459**	**195 777**	**321519**	**395444**	**479236**

Number of reports related to TF (2008 - 2013) Breakdown per reporting entity (FIs only)							
Financial institution	**Type of report**	**2008**	**2009**	**2010**	**2011**	**2012**	2013
Credit institutions	**Mandatory reports**	1 183	1469	1782	1418	2781	2690
	STRs	20 938	14 494	1739	1985	1800	1482
Securities markets	**Mandatory reports**	0	3	0	0	1	2
	STRs	19	9	9	51	14	13
Investment and pension funds	**Mandatory reports**	0	0	0	3	3	2
	STRs	6	2	0	27	5	3

Post of Russia	**Mandatory reports**	0	6	12	18	74	128
	STRs	18	12	215	34	39	43
Insurance sector	**Mandatory reports**	14	19	22	35	55	60
	STRs	1	7	1	0	16	28
Leasing companies	**Mandatory reports**	1	0	0	0	4	16
	STRs	0	0	6	17	14	10
Total		**22 180**	**16 021**	**3786**	**3591**	**4806**	**4479**

2.6.4 AML/CFT supervisory on-site visits

Number of on-site visits (2008 - 2013)		
Financial Institutions	**Year**	**Number of visits**
Credit institutions	**2008**	1162
	2009	911
	2010	907
	2011	740
	2012	452
	2013	432
Securities market (including investment and pension funds)	**2008**	238
	2009	359
	2010	311
	2011	287
	2012	292
	2013	226
Insurance sector	**2008**	665
	2009	749
	2010	186
	2011	117
	2012	86
	2013	73

Post of Russia	**2008**	1257
	2009	3 095
	2010	6 056
	2011	3591
	2012	7808
	2013	6362
Leasing companies	**2008**	495
	2009	502
	2010	345
	2011	240
	2012	212
	2013	161
Organizations that are not credit institutions that receive cash from individuals in the cases provided by law on banks and banking activities	**2008**	57
	2009	66
	2010	81
	2011	41
	2012	82
	2013	159

Number of on-site visits (2008 - 2013)		
Non-financial Institutions	**Year**	**Number of visits**
Dealers in precious metals and precious stones	**2008**	608
	2009	515
	2010	884
	2011	481
	2012	471
	2013	405
Casinos	**2008**	75
	2009	53
	2010[16]	0
	2011	2
	2012	1
	2013	0
Real estate agents	**2008**	961
	2009	567
	2010	621
	2011	629
	2012	447
	2013	
Lawyers	**2008**	9 432
	2009	2 813
Lawyer s' associations (since 2010)	**2010**	80
	2011	73
	2012	68
	2013	71
Notaries	**2008**	3 763
	2009	1 989
	2010	2154
	2011	2547
	2012	2791
	2013	2673

[16] From 01.07.2009 casino activity is only allowed in the special gambling areas. On 01.01.2010 no permission was granted. In 2011 two permissions were granted.

Auditors	**2008**	380
	2009	400
	2010	1226
	2011	1453
	2012	831
	2013	937

2.6.5 AML/CFT sanctions imposed by supervisory authorities.

The information on administrative penalties imposed by the Bank of Russia for administrative violations in the cases provided for in Article 15.27 of the Code of the Russian Federation on Administrative Offences.

Measures and sanctions applied by BoR (all figures) (2008 – 2013)		
	Year	**Number**
Summary of deficiencies and breaches presented to the management of the institution	**2008**	339
	2009	287
	2010	302
	2011[17]	
Instructions to eliminate identified breaches, identified during an on-site visit within a fixed term	**2008**	229
	2009	196
	2010	151
	2011	
Limit certain operations and restrict opening of new branches	**2008**	252
	2009	162
	2010	87
	2011	
Penalties applied by BoR (only applied to legal persons)	**2008**	170
	2009	122
	2010	104
	2011	

[17] Since 2011 the Bank of Russia brings credit institutions to account for violations of regulations on AML / CFT issues in accordance with the Code of the Russian Federation on Administrative Offences. See the information on administrative penalties imposed by the Bank of Russia for administrative violations in the cases provided for in Article 15.27 of the Code of the Russian Federation on Administrative Offences.

Licenses revoked	**2008**	7
	2009	10
	2010	3
	2011	3
	2012	1
	2013	8

Period	**Number of penalties**		**Officials of credit institutions**		**Credit institutions**	
	Warning	**Fine**	**Warning**	**Fine**	**Warning**	**Fine**
2011	373	260	117	67	256	193
2012	490	307	262	48	228	259
2013	479	288	237	56	242	232

The measures and sanctions imposed by Russian Federal Financial Markets Service (2008 - 2013)		
	Year	**Securities, investment and pension funds**
The number of orders for violations of legislation on AML / CFT sent to Rosfinmonitoring		
	2008	70
	2009	64
	2010	76
	2011[18]	5
	2012	Not applicable
	2013	Not applicable

[18] Since 2011 the FFMS brings it reporting institutions to account for violations of regulations on AML / CFT issues in accordance with the Code of the Russian Federation on Administrative Offences. Now FFMS has ceased to exist. The Bank of Russia is empowered to perform its functions

The number of orders to suspend the license for violations of AML / CFT legislation		
	2008	5
	2009	1
	2010	0
	2011	**3**
	2012	0
	2013	2
The number of orders to revoke the license for violations of AML / CFT legislation		
	2008	19
	2009	23
	2010	41
	2011	**49**
	2012	49
	2013	34
Revoked qualification certificates		
	2009	28
	2010	29
	2011	17
	2012	5
	2013	11

Penalties (fines) imposed by Rosfinmonitoring, Federal Financial Markets Service of Russia, Roskomnadzor, The Assay Chamber under the Article 15.27 of the Code of the Russian Federation on Administrative Offences (2008-2013)					
			Number of sanctions	**Officials**	**Legal persons**
Financial Institutions	**Credit institutions**	**2008**	6	5	1
		2009	4	1	3
		2010	10	5	5
		2011	260	67	193
		2012	307	48	259
		2013	288	56	232
	Securities markets (including investment and pension funds	**2008**	15	5	10
		2009	64	28	36
		2010	38	14	24
		2011	80	38	42
		2012	36	12	24
		2013	25	7	18
	Insurance sector	**2008**	11	4	7
		2009	41	12	29
		2010	84	29	55
		2011	160	79	81
		2012	8	0	8
		2013	28	0	28
	Post of Russia	**2008**	11	11	0
		2009	8	7	1
		2010	37	34	3
		2011	2	2	0
		2012	135	119	16
		2013	107	103	4
	Leasing companies	**2008**	265	86	179
		2009	321	113	208
		2010	362	171	191
		2011	546	269	277
		2012	396	210	186
		2013	297	158	139
	Non-credit institutions, carrying out reception from individuals in cash in the cases stipulated by the legislation on banks and banking	**2008**	25	16	9
		2009	31	15	16
		2010	45	26	19
		2011	70	35	35
		2012	119	70	49
		2013	313	168	145

Non-financial Institutions	**Casinos**	**2008**	22	9	13	
		2009	43	26	17	
		2010	n/d	n/d	n/d	
		2011	4	2	2	
		2012	2	1	1	
		2013	n/d	n/d	n/d	
	Real estate agents	**2008**	529	315	214	
		2009	307	168	139	
		2010	533	312	221	
		2011	1113	605	508	
		2012	633	365	268	
		2013	693	384	309	
	Dealers in precious metals and precious stones	**2008**	283	141	142	
		2009	310	167	143	
		2010	554	346	208	
		2011	888	488	400	
		2012	599	323	276	
		2013	401	237	164	

3. *Appendices*

3.1 APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

Recommended Action	
Section 2. Legal System and Related Institutional Measures	
2.1 Criminalisation of ML (R.1 & 2)	• Russia should establish offences of insider trading and stock market manipulation. • Russian authorities should reconsider their position concerning the criminal liability of legal persons.
2.2 Criminalisation of TF (SR.I)	• Russia should establish the offence of theft of nuclear material and expand the TF offence to include this new offence. • Russian authorities should reconsider their position concerning the criminal liability of legal persons.
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	• Russia should consider expanding the confiscation provisions in its Criminal Code article 104.1 to include at the very least the money laundering offence.
2.4 Freezing of funds used for terrorist financing (SR.III)	• Russia should implement the elements f SR.III that go beyond the requirements of the UNSCRs. • Russia should rely less on the criminal justice system to be able to effectively implement SR.III. • Russia needs to implement a national mechanism to examine and give effect to actions initiated under the freezing mechanisms of other jurisdictions. • Russia should establish an effective and publicly known procedure for dealing with de-listing requests and for dealing with requests to unfreeze in a timely manner the funds or other assets of entities that have been inadvertently affected by a freezing action.
2.5 The Financial Intelligence Unit and its functions (R.26)	• The number of personel vacancies at Rosfinmonitoring is somewhat high and all vacancies should be filled as a priority matter.
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	• The initiation of a general discussion on how to define and determine the competences of law enforcement agencies and their specialised units in ML/TF cases would be beneficial. • The Prosecution Authority should implement more rigorous supervision to at least to be able to be aware of all cases pursued by law enforcement bodies. • Efforts to eliminate corruption should continue and deepen. • All law enforcement authorities should continue to strengthen the existing

Recommended Action	
	inter agency AML/CFT training programmes in order to have specialised financial investigators and experts at their disposal. • International training programmes on ML and FT issues, especially for law enforcement staff in the (border) regions, should be enhanced. • The low number of ML convictions in comparison with the number of detected ML crimes should be addressed and consideration should be given to a greater specialisation within the Prosecution Authority and the judiciary, including establishing specialised units within Prosecution Authority and specialised courts for ML and FT, in order to increase the effectiveness of the system.
2.7 Cross Border Declaration & Disclosure	• Russia should implement all elements of an effective system to deter illegal cross border movements of currency. • Staffing levels of the FCS should be increased to keep up with the growing workload. • The FCS should be enoucraged to continue fighting corruption. • Authorities should as a priority commence an awareness raising campaign, for all levels of staff in all regions. • The authorities should ensure that customs and law enforcement co-operate in all regions and are aware of each others' cases, especially relating to the fight against alternative remittance systems. • The legal framework for reporting cash and bearer negotiable instruments should be simplified in one law, and reporting forms should be brought in line with the law in all languages. • Russia should ensure that sending cash or bearer negotiable instruments through containerised cargo is covered in law and practice. • The FCS should have the legal authority to restrain currency in case of suspicions of ML if the money is declared. The FCS should take into consideration a system to use reports on currency declaration in order to identify and target money launderers and terrorist. • The administrative penalties for false or non declarations should be raised considerably.
Section 3. Preventive Measures – Financial Institutions	
3.1 Risk of money laundering or terrorist financing	• No recommendations.
3.2 Customer due diligence, including enhanced or reduced	*Recommendation 5* • Russia should ensure that the following issues are covered by law or regulation: (i) a specific prohibition on maintaining existing accounts under

Recommended Action	
measures (R.5 to 8)	fictitious names, (ii) a requirement to carry out CDD where there is a suspicion of money laundering, regardless of any exemptions, (iii) performance of CDD where there are doubts about the veracity of previously obtained customer identification data, (iv) a requirement to identify beneficial owners and in particular to establish the ultimate natural owner/controller and (v) requirements for conducting ongoing due diligence. • The following matters should be set out in law, regulation or other enforceable means: (i) requirement for non-CIs to understand the ownership or control structure of a legal person, (ii) requirement to ascertain the purpose and intended nature of the business relationship, (iii) requirements for the timing of verification of identification, and (iv) consequences of a failure to conduct CDD. • Requirements relating to enhanced and simplified due diligence should be clarified, in particular the exemptions from conducting CDD in situations relating to occasional transactions. Further guidance to FIs on dealing with legal arrangements from overseas would be helpful. • A stronger link in the AML/CFT Law should be established between the need to ascertain whether a customer is acting on behalf of another person and the requirement to collect identification data. Further clarification in the AML/CFT Law on the meaning of the term “beneficiary” and the measures which financial institutions should take to comply with the measures would be helpful. • Further guidance to FIs should be developed to ensure that legal arrangements are appropriately identified as the financial sector grows and becomes more international. *Recommendation 6* • Further guidance should be given as to the requirements for dealing with existing customers who are found to be foreign public persons, establishing the source of wealth and conducting enhanced ongoing due diligence. Also, the measures should extend to beneficial owners. Russia should also consider extending the provisions to include domestic PEPs. *Recommendation 7* • All of the relevant criteria should be set out in law, regulation or other enforceable means, particularly the need to understand the nature of the respondent bank’s business and to ascertain whether the respondent’s AML/CFT system is adequate and effective. The requirement to document the respective AML/CFT responsibilities of banks should also be covered, and Russia should consider formalising its requirements in relation to payable-through accounts. *Recommendation 8* • Russia should review the existing limited requirements (which relate largely to remote banking) and to provide appropriate measures on the basis of that

Recommended Action	
	review.
3.3 Third parties and introduced business (R.9)	• Russia should amend the AML/CFT Law to state clearly that financial institutions are not permitted to rely on third party verification of identity.
3.4 Financial institution secrecy or confidentiality (R.4)	• Russia should address the uncertainty regarding the definition of "authorised body" in the AML/CFT Law to ensure that all supervisors are covered.
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	*Recommendation 10* • Russia should address the gaps in the legal regime for record keeping. • Russia should updates the AML/CFT Law to include all necessary record keeping requirements, even if this duplicates requirements set out in other laws. *Special Recommendation VII* • Russia should amend the current AML/CFT regime to address the following deficiencies *i)* The definition of originator information may well be sufficient in the context of the Russian payment system framework, but it does not fully cover all requirements set by the FATF, *ii)* iIncoming cross-border wire transfers are not covered by a requirement to adopt effective risk based procedures for incomplete originator information, and this vulnerability is not mitigated by the argument (as provided by the authorities) that most incoming cross-border wire transfers originate in countries that are largely compliant with FATF recommendations, *iii)* the BoR should provide specific guidance to credit institutions regarding the application of wire transfer regulations to batch transfers, *iv)* Russia should develop rules requiring financial institutions to apply a risk-based procedure for wire transfers that lack full originator information, and *v)* as a matter of effective implementation, if Russia amends the current law to include incoming cross-border wire transfers, Russian authorities will need to reconsider the current blanket requirement to simply refuse all transactions without full originator information as this could theoretically result in a complete halt to all incoming cross-border wire transactions.

<table>
<tr><th colspan="2">Recommended Action</th></tr>
<tr><td>3.6 Monitoring of transactions and relationships (R.11 & 21)</td><td>Recommendation 11
Russia should require FIs to examine as far as possible the background and purpose of all unusual transactions and to set forth the findings of such examinations in writing and to keep such findings available for competent authorities and auditors for at least five years. Russia should additionally make sure that FIs are no longer confused about the distinction between mandatory threshold reporting (> RUB 600 000) and examining the background of unusual transactions. Also, Russia should provide more guidance to the FIs, especially to make clear that the types of unusual transactions listed in laws and regulations is neither exhaustive nor closed.
Recommendation 21
Russia should require FIs to give special attention to business relationships and transactions with persons from or in countries which do not or insufficiently apply the FATF Recommendations. FIs should also examine as far as possible the background and purpose of business relationships and transactions with persons from or in those countries, to set forth the findings of such examinations in writing and to keep these findings available for competent authorities and auditors for at least years.
Since Russia indicates it has the legal framework through the new Law on Special Economic Measures, it should use this framework to apply countermeasures, as envisaged by Recommendation 21..
As a matter of urgency, Russia should establish a set of countermeasures that it can require the FIs to take in case a country continues to disregard the FATF Recommendations.</td></tr>
<tr><td>3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)</td><td>Recommendation 13 and Special Recommendation IV
Russia should criminalise insider trading and market manipulation, so as to enable FIs to report STRs based on the suspicion that a transaction might involve funds generated by the required range of criminal offences.
Russia should finally introduce a reporting obligation for attempted transactions by occasional customers.
Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs
Russia should raise the awareness in the non-CI FIs, at a minimum through an enhanced training programme. The training should not only focus on the legal obligations, but also include the reasons for establishing an AML/CFT system, as well as examples, typologies and cases.
Recommendation 14
Russia should extend the safe harbour provision and the tipping off prohibition to the FIs and their directors.</td></tr>
</table>

Recommended Action	
	Recommendation 25 • Russia should extend the case by case feedback beyond the acknowledgement of the receipt of the STR. It should also urgently consider other examples of case-by-case feedback, as those examples listed in the FATF Best Practice Paper for feedback by FIUs.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	*Recommendation 15* • The Russian authorities should ensure that all FIs establish and maintain internal procedures, policies and controls to manage both AML/CFT and prudential risks, and to ensure that these policies and procedures are comprehensively communicated to all relevant employees. Financial institutions and supervisory bodies should also ensure that training programmes incorporate case studies and other practical demonstrations of both money laundering and terrorism finance so employees are better able to detect signs of ML and FT when they occur. With respect to terrorism finance, FIs and supervisory bodies should amend internal control programme requirements to incorporate a more comprehensive approach to CFT beyond the current practice of simply checking the list of designated entities. • The Russian authorities should enhance existing provisions regarding employee screening procedures to ensure that all employees of FIs can be sufficiently screened. Screening procedures should take criminal records into account, but should also assess the vulnerability to corruption of each employee or group of employees. • ROSCOM and the Russia Post should take proactive and comprehensive steps to ensure that all employees at all branches of the Russia Post across the country have a good understanding of the Post's internal control programmes with respect to AML/CFT requirements of the ICP, and that compliance units are sufficiently trained and fully implementing all legal and regulatory requirements related to AML/CFT. The Russian authorities should work closely with the Russia Post to ensure that the independent audit programme is being carried out effectively and comprehensively at all branches to verify compliance with internal control requirements across the country. *Recommendation 22* • The Russian authorities should consider harmonising the existing legal and regulatory framework to ensure that all foreign operations – both branches and subsidiaries – of Russian FIs observe Russian AML/CFT requirements. Existing guidance for credit institutions on managing the risk associated with foreign operations should be expanded to address ML and TF risks as well as prudential risks. Russian regulators should consider issuing specific guidance to Russian credit institutions regarding the need for increased vigilance over foreign operations in jurisdictions that do not (or insufficiently) apply the FATF recommendations. FIs should be required to inform its Russian supervisor when a foreign operation is unable to observe appropriate AML/CFT measures because of local conditions.

Recommended Action	
3.9 Shell banks (R.18)	No recommendations.
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	*Recommendation 23 / banking sector* • Russia should – as a matter of urgency – strengthen the regime to prevent criminals from becoming major shareholders in a CI by amending the Banking Law to lower the threshold from 20% to 10%, by ensuring that every person who, directly or indirectly, holds more than 10% of the shares or the votes of a credit institution, is checked as a major shareholder and by ensuring that the BoR can refuse an acquisition if the concerned person was convicted for having committed a financial crime. *Recommendation 23 / other sectors* • Russia should as a matter of urgency – and as already recommended in the Second Round Evaluation Report by Moneyval – *i)* implement provisions to prevent criminals from becoming major shareholders in a non-CI FI, *ii)* raise the awareness of the staff of the FSFM, the FISS and ROSCOM and increase their number of staff substantially to ensure that every FI undergoes at least one on-site inspection once every three years and that – on a risk basis - more targeted in-depth thematic reviews are carried out, and *iii)* consolidate and strengthen the system to register and supervise organisations providing MVT services according to article 13.1 Banking Law, including the implementation of fit and proper tests. • Russia should implement fit and proper tests for leasing companies and amend the Insurance Law to ensure that members of the board of a life insurance company or an insurance broker are fit and proper. • Russia should amend the Law on Communications to ensure that all conceivable money value transfer service providers are licensed or registered and supervised. *Recommendation 29 / banking sector* • Russia should amend the BoR Law to elevate the maximum amount for fines against credit institutions substantively and to ensure that the BoR has the competence to impose adequate fines on directors and senior management of banks for violation of AML/CFT requirements. • Russia should amend the BoR Law to ensure that a licence of a CI can be revoked when the founders are convicted for criminal or economic offences and to ensure that a licence of a CI can also be revoked for not filing STRs with the FIU. Russia should also ensure that the licence of a CI can be revoked not only if repeated violations occur during one year and thus, amend the BoR Law accordingly. • Russia should abolish the limitation of the BoR to conduct on-site inspections in article 73 item 5 BoR Law, as already recommended in the Moneyval Second Round Report.

Recommended Action	
	Recommendation 29 / other sectors • Russia should – as a matter of urgency (i) amend the relevant laws to ensure that the FSFM, the FISS and ROSCOM have the power to impose fines on their FIs and on directors and senior management of their FIs for violation of AML/CFT requirements and to replace directors and senior management of their FIs for violation of AML/CFT requirements, (ii) abolish the limitation of the FISS to compel and obtain access to banking secrecy information and (iii) increase the staff for the FSFM, the FISS and ROSCOM to ensure that the system for sanctioning financial institutions works effectively. • Russia should stipulate explicitly ROSCOM's competence to carry out on-site inspections with respect to the full set of AML/CFT requirements and to compel production of records. • Russia should in addition amend the relevant laws to ensure that a licence can be revoked for violation of AML/CFT requirements also in the non-banking and non-securities sectors, and when the founders are convicted for criminal or economic offences (concerns the FSFM, the FISS, ROSCOM and Rosfinmonitoring). • Russia should amend the Law on Non-state Pensions Funds to ensure that the FSFM is able to compel and obtain access to all necessary records and amend the Law on the Securities Market to ensure that a licence of a corresponding FI can also be revoked for not filing STRs with the FIU and abolish the precondition of repeated violations during one year to revoke a licence. *Recommendation 17* • Russia should amend article 15.27 Code of Administrative Offences to ensure that the main violations of the AML/CFT Law are covered, especially regarding non compliance with the requirement to identify the customer and the beneficial owner and to elevate the maximum amount for fines against officials of financial institutions. *Recommendation 25* • Russia should implement the requirement to issue guidance to FIs, beyond the explanation of the law.
3.11 Money value transfer services (SR.VI)	• Russia should consider implementing laws and regulations to ensure that postal operations are better aware of and in compliance with the AML/CFT requirements. Suggested improvements would include: (1) increased technical interface between postal branches to better detect suspicious transactions, (2) rules governing the volume and frequency of remittances permitted and (3) improved training of postal operators on AML/CFT. Given the size of the postal sector, Russia should also consider either increasing the capacity and quality of ROSCOM's compliance function or transferring supervisory and regulatory powers to another federal authority that is better equipped and trained to assess AML/CFT compliance. • Russia should find ways to ensure that ROSCOM has sufficient powers to

Recommended Action	
	correct deficiencies found in Russia Post's AML/CFT compliance. • Russian law enforcement bodies should place a higher priority on investigating the existence of alternative remittance systems to better assess the size and the nature of ML/TF threat posed by illegal MVT occurring within and through Russia.
Section 4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	• Russia should review the AML/CFT regime as it applies to DNFBPs and ensure that all of the relevant criteria are addressed. For casinos, real estate agents and dealers in precious metals and stones, the basic recommendations set out earlier in this report in relation to Recommendations 5, 6 and 8-11 are applicable, as these entities are subject to the full effect of the AML/CFT Law in Russia. • In relation to lawyers, accountants and notaries, specific provisions to address all of the relevant criteria in Recommendations 5, 6 and 8-11 should be developed. In particular, extending the CDD requirements to include their full range in the legislation. Russia should also take steps to examine ways of increasing the effectiveness of compliance with AML/CFT requirements in these sectors. • With a diverse range of supervisory bodies (Rosfinmonitoring, the Assay Chamber, the Federal Notaries Chamber and the Federal Lawyers Chamber) Russia should take steps to co-ordinate the overall approach in this area. • Russia should also examine the use of cash in the real estate sector in order to be sure that there are no important gaps in the AML/CFT system as it relates to this sector.
4.2 Suspicious transaction reporting (R.16)	• Russia should take steps to ensure that all institutions covered by the requirement to report STRs are aware of the difference between these reports and those relating to mandatory control. • For lawyers, notaries and accountants, Russia should take steps to improve understanding of the requirements in this area, given the current low level of reporting, and the lack of information available to evaluate the effectiveness of the regime. • The authorities should continue working with lawyers, notaries and accountants to ensure full compliance with the requirements relating to internal controls. • Russia should take further steps to ensure that covered institutions are aware of the need to pay special attention to customers from countries that do not sufficiently apply the FATF Recommendations.
4.3 Regulation, supervision and	• Russia should improve the data available to analyse the effectiveness of the measures it is taking. Rosfinmonitoring should consider introducing a greater element of risk-based supervision in relation to the categories of firms it

Recommended Action	
monitoring (R.24-25)	supervises. In particular, the risks identified by Rosfinmonitoring in relation to casinos should be subject to greater supervisory attention. • The role of real estate agents should be examined to ensure that no gaps exist in the AML/CFT system. In particular, the contention that most flows of funds in real estate transactions are routed through the banking sector should be verified, and the level of risk relative to the supervisory activity of Rosfinmonitoring in this area should be considered. • The system for supervising lawyers' and notaries' compliance with the AML/CFT Law should be enhanced considerably. • The current regime for licensing casinos will not change until 30 June 2009 (see section 1). In the meantime Russia should consider how it will implement this change and develop plans to deal with unlicensed gambling. The current and future regime contains no specific provision to prevent criminals or their associates from holding an interest in a casino. This should be addressed. • The Assay Chamber should have more specialist AML/CFT staff in order to better perform its functions. • Consideration should also be given to the Assay Chamber's suggestion that supervisors be given greater access to the content of STRs in order to better target supervisory action. • Russia should take further steps to strengthen the AML/CFT supervisory regime for accountants.
4.4 Other non-financial businesses and professions (R.20)	• Russia should consider the ML risk posed by the proliferation of high value and luxury goods providers in Moscow and other major urban centres that has accompanied Russia's recent oil boom. • Russia should seek to continue reducing its reliance on cash and introduce more efficient payment systems that have also been introduced in other countries around the world. Adopting more modern payment techniques should also reduce the need for high denomination bank notes.
Section 5. Legal Persons and Arrangements & Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	• The Russian authorities should implement a system that requires adequate transparency regarding the beneficial ownership and control of legal persons.
5.2 Legal Arrangements – Access to beneficial ownership and control information	• No recommendations.

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(R.34)	
5.3 Non-profit organisations (SR.VIII)	• Russia should undertake a comprehensive review of the NPO system, as foreseen by Special Recommendation VIII. • Russia should reach out to and engage with the NPO sector, to learn from the sector, to promote values and the like. • The Russian authorities should set up a more formalised and efficient system that focuses on potential vulnerabilities and to share information to target abuse. • Existing rules should be fully implemented.
Section 6. National and International Co-operation	
6.1 National co-operation and co-ordination (R.31)	• Russia should implement the outcome of policy reviews are implemented, especially in areas that are not the responsibility of Rosfinmonitoring. • Russia should make an extra effort to enhance operational-level co-operation among law enforcement agencies, and between law enforcement and supervisory authorities to sharpen Russia's focus on the possible existence of illegal alternative remittance systems within Russia. This effort should aim to develop a sense of the threat as well as a prescription for addressing the problem.
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	• Russia should correct the deficiencies noted in relation to the implementation of the relevant international conventions and UNSCRs as soon as possible. Russia should also institute criminal liability for legal persons. • Russia should implement the provisions of UNSCRs 1267, 1373 and successor resolutions.
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	• Russian authoritiesm should continue to institute a pro-active approach to monitoring progress on execution of requests and better ensuring a timely and effective response. • The General Prosecutor's Office should ensure that clear lines of communication exist with established points of contact between itself and the law enforcement officer responsible for execution of the request, as well as between itself and the requesting country. • The authorities should maintain statistics on the more detailed aspects of MLA including details on the nature and results of MLA requests. • The Russian authorities are encouraged to continue their monitoring of the process of providing MLA among special MLA working groups established with a number of countries.
6.4 Extradition (R.39, 37 & SR.V)	• Russia should further enhance the existing system of reviews in relation to extradition according to Instruction No. 32/35 and maintain comprehensive

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	statistics in relation to ML/TF covering all details of the extradition process. • Russia should also raise the effectiveness of its extradition practice in relation to non-CIS countries and make the figures for CIS and non-CIS countries better comparable. Russia is however to be commended for the high number of requests to and from CIS countries. • Russia should address the missing elements of its ML and TF offences to ensure that dual criminality requirements do not represent an obstacle for extradition in such matters (see also sections 2.1 and 2.2 for discussion of the missing elements of the ML and TF offences).
6.5 Other Forms of Co-operation (R.40 & SR.V)	• No recommendations.
Section 7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	• See recommendations relating to other recommendations.
7.2 Other relevant AML/CFT measures or issues	• No recommendations.
7.3 General framework – structural issues	• No recommendations.

3.2 APPENDIX II -Relevant EU texts

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner should at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share should be deemed sufficient to meet this criterion;

(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;

(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;

(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of ‘politically exposed person’ and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):
Article 2
Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" should include the following:
(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;
(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph should be understood as covering middle ranking or more junior officials.
The categories set out in points (a) to (e) of the first subparagraph should, where applicable, include positions at Community and international level.
2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" should include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.
3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" should include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC should not be obliged to consider such a person as politically exposed.