



COMMITTEE OF EXPERTS ON THE
EVALUATION OF ANTI-MONEY
LAUNDERING MEASURES AND THE
FINANCING OF TERRORISM
(MONEYVAL)

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Russian Federation

Progress report¹

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

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 Affairs (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.

2. Key recommendations

Please indicate improvements which have been made in respect of the FATF Key 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	
<i>Recommendation of the MONEYVAL Report</i>	<i>Russia should establish offences of insider trading and stock market manipulation.</i>
Measures taken to implement the Recommendation of the Report	<p>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;</p> <p>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;</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 5 (Customer due diligence)	
I. Regarding financial institutions	
Rating: Partially compliant	
<i>Recommendation of the MONEYVAL</i>	<i>Russia should ensure that the following issues are covered by law or regulation: (i) a specific prohibition on maintaining existing accounts</i>

Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>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).</p> <p>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:</p> <ol style="list-style-type: none"> 1) identify the person being serviced by the institution carrying out transactions with monetary funds and other property of the customer: <ul style="list-style-type: none"> - 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>Pursuant to the BoR Letter dated 20 January 2003 No. 7-T “On the Implementation of the Federal Law “On Combating Legalisation</p>

(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

	<p>at least once a year for other customers, as well as revise the risk level as this information changes or in the following cases:</p> <ul style="list-style-type: none"> - 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). <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>Government Decision No. 983-r (item 10) requires paying special attention to the following when performing identification:</p> <ul style="list-style-type: none"> 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. <p>Rosfinmonitoring Informative Letter No. 2 specifies this requirement obligating institutions to record the following details, among others, in the customer’s dossier:</p> <ul style="list-style-type: none"> - 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; <p>The information on the identities of founders (members) of a legal person includes:</p> <ul style="list-style-type: none"> - 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. <p>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.</p> <p>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)</p>

	<p>contract with the customer in the following cases:</p> <ul style="list-style-type: none"> - 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. <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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).</p> <p>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</p>

	EAG member states including Russia.
Recommendation of the MONEYVAL Report	<i>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>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
(Other) changes since the last evaluation	

	Recommendation 5 (Customer due diligence) II. Regarding DNFBP¹
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>Russia has analyzed the application of the AML/CFT regime to all designated non-financial businesses and professions (DNFBPs).</p> <p>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.</p> <p>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.</p> <p>Rosfinmonitoring has elaborated recommendations for the implementation of the requirements of the AML/CFT Law to identify</p>

¹ i.e., part of Recommendation 12.

	<p>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.</p> <p>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.</p> <p>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).</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Rosfinmonitoring identification recommendations equally apply to lawyers, notaries and accountants.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>The AML/CFT legislation designates Rosfinmonitoring as the body responsible for coordinating of the activity of other bodies with AML/CFT powers.</p>

	<p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Moreover, Rosfinmonitoring signed cooperation agreements with the relevant supervisory bodies (including with the Assay Chamber, the Federal Notaries Chamber, the Federal Lawyers Chamber).</p> <p>Rosfinmonitoring constantly disseminates information relating to the highest-risk institutions in terms of ML/TF for purposes of inspections, including unplanned inspections.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P).</p> <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).</p>

(Other) changes since the last evaluation	
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Recommendation 10 (Record keeping)	
I. Regarding financial institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	<i>Russia should close gaps in its legal system concerning data storage.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
(Other) changes since the last evaluation	

Recommendation 10 (Record keeping)	
II. Regarding DNFBP²	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.

² i.e., part of Recommendation 12.

	<p>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.</p> <p>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).</p>
Recommendation of the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>Rosfinmonitoring record-keeping recommendations equally apply to lawyers, notaries and accountants.</p>
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting)	
I. Regarding financial institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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</p>

	<p>elaborated and adopted by Rosfinmonitoring's order No. 103 dated 8 May 2009.</p> <p>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.</p>
Recommendation of the MONEYVAL Report	<i>Russia should finally introduce the obligation to report transaction attempts by one-time customers.</i>
Measures taken to implement the Recommendation of the Report	<p>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:</p> <ul style="list-style-type: none"> - 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>"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).</p> <p>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.</p> <p>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</p>

	<p>employees in 2008.</p> <p>Meanwhile, the International Training and Methodological Centre of Financial Monitoring has carried out the following:</p> <ul style="list-style-type: none"> - 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.
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting)	
II. Regarding DNFBP³	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>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;</p>

³ i.e., part of Recommendation 16.

	<p>pay heightened attention to all transactions of this customer.</p> <p>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.</p> <p>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.</p> <p>In particular, in six months of 2009 Rosfinmonitoring contributed to 88 educational events that provided training for over 3,000 employees of FIs.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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.</p> <p>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.</p>

(Other) changes since the last evaluation	
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Special Recommendation II (Criminalization of terrorist financing)

Rating: Largely compliant

Recommendation of the MONEYVAL Report	<i>Russia should establish the offence of theft of nuclear material and expand the TF offence to include this new offence.</i>
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Measures taken 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.
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Recommendation of the MONEYVAL Report	<i>Russian authorities should reconsider their position concerning the criminal liability of legal persons.</i>
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Measures taken to implement the Recommendation of the Report	<p>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:</p> <p>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;</p> <p>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.</p> <p>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.</p> <p>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.</p>
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(Other) changes since the last evaluation	
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Special Recommendation IV (Suspicious transaction reporting)	
I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs.</i>
Measures taken to implement the Recommendation of the Report	<p>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:</p> <ul style="list-style-type: none"> - 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”. <p>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</p>

	<p>indicators is not exhaustive, but contains a special notion for the institutions to include additional relevant criteria/indicators at the institution's discretion.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting)	
II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	<i>Russia should issue TF guidance to enhance the effectiveness of the system for filing TF STRs.</i>
Measures taken to implement the Recommendation of the Report	<p>“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.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

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	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>Russia has analyzed the expedience of extending measures of enhanced transaction monitoring to Russian PEPs, with the analysis results</p>

	<p>presented to the Russian Government. Such approach is considered to be expedient, and the elaboration of appropriate draft laws is underway.</p> <p>A number of organizational measures have been also adopted.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 7 (Correspondent banking)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	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 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.
(Other) changes since the last evaluation	

Recommendation 8 (New Technologies and Non-Face-to-Face Business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Russia should analyze the existing limited requirements (which mostly relate to remote banking) and implement appropriate measures based on analysis findings.</i>
Measures taken 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”.
(Other) changes since the last evaluation	

Recommendation 11 (Unusual transactions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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).</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Institution's executive makes the final decision to classify the transaction as unusual or suspicious and file an STR with Rosfinmonitoring.</p>

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”
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Recommendation 12 (DNFBP)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>Russia has analyzed the application of the AML/CFT regime to all designated non-financial businesses and professions (DNFBPs).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p>
Recommendation of the MONEYVAL Report	<i>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</i>

	<i>requirements in these sectors.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>Rosfinmonitoring identification and record –keeping recommendations equally apply to lawyers, notaries and accountants.</p> <p>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.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The AML/CFT legislation designates Rosfinmonitoring as the body responsible for coordinating of the activity of other bodies with AML/CFT powers.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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</p>

	<p>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.</p> <p>Moreover, Rosfinmonitoring signed cooperation agreements with the relevant supervisory bodies (including with the Assay Chamber, the Federal Notaries Chamber, the Federal Lawyers Chamber).</p> <p>Rosfinmonitoring constantly disseminates information relating to the highest-risk institutions in terms of ML/TF for purposes of inspections, including unplanned inspections.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P).</p> <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).</p>
(Other) changes since the last evaluation	

Recommendation 14 (Protection & no tipping-off)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Russia should extend the safe harbour provision and the tipping off prohibition to the FIs and their directors.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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 shall not tip off customers of such institutions and other persons about the AML/CFT measures being taken.</p>
(Other) changes since the last evaluation	

Recommendation 15 (Internal control rules, compliance & audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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</p>

	<p>property for the AML/CFT purposes.</p> <p>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.</p> <p>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.</p> <p>Institutions must conduct training based on a program that must include:</p> <ul style="list-style-type: none"> 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. <p>Supervisory bodies and professional communities implement the relevant efforts in their respective sectors of the financial market.</p> <p>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.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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</i></p>

	<i>corruption of each employee or group of employees.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>Rosfinmonitoring Order No. 256 establishes mandatory requirements to undergo systematic AML/CFT training for other FI employees.</p> <p>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.</p> <p>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).</p>
Recommendation of the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>To improve AML/CFT work, Post of Russia has reorganized its internal control system.</p> <p>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.</p> <p>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.</p>

	<p>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.</p> <p>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.</p> <p>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.</p> <p>The replacement from old postal money transfer forms to new ones was completed by April 2008.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Employees engaged in implementing the Internal Control Rules undergo annual training on AML/CFT issues.</p> <p>A total of 128 training events took place in 2008. During this period training was provided for:</p> <table data-bbox="506 1276 1386 1512"> <tr> <td>postal service operators</td> <td>- 10</td> </tr> <tr> <td>515;</td> <td></td> </tr> <tr> <td>postal office directors</td> <td>- 7 567;</td> </tr> <tr> <td>postal office deputy directors</td> <td>- 2 568;</td> </tr> <tr> <td>head postal office workers</td> <td>- 422;</td> </tr> <tr> <td>branch administration employees</td> <td>- 532;</td> </tr> <tr> <td>TOTAL:</td> <td>- 21</td> </tr> </table> <p>604.</p> <p>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.</p> <p>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.</p>	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
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(Other) changes since the last evaluation															

Recommendation 16 (Suspicious transaction reporting)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The authorities should continue working with lawyers, notaries and accountants to ensure full compliance with the requirements relating to internal control rules.</i>
Measures taken 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).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>The same practice applies to statements issued by FSRBs.</p>
(Other) changes since the last evaluation	

Recommendation 17 (Sanctions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of	Jointly with the ministries and agencies concerned, Rosfinmonitoring elaborated the Federal draft law “On Amendments to Individual

the Report	<p>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.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 21 (Special attention for higher risk countries)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>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</p>

	statements. The said list is subject to publication.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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:</p> <ul style="list-style-type: none"> - 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. <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 22 (Foreign branches & subsidiaries)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 23 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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 envisages 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 planned 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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</p>

	<p>been submitted to the law enforcement bodies. Post of Russia incorporated the cash conversion scheme indicators into its procedures relating to internal control rules.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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 .</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>For other employees of leasing companies, Rosfinmonitoring’s Order No. 256 establishes mandatory requirements to undergo systematic AML/CFT training.</p> <p>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.</p>

Recommendation of the MONEYVAL Report	<i>Russia should amend the Law on Communications to ensure that all conceivable money and value transfer service providers are licensed or registered and supervised.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>Pursuant to Article 29 of Federal Law dated 7 July 2003 No. 126-FZ “On 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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 24 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

	<p>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.</p> <p>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.</p> <p>As to 1.07.09 (the date when four gambling zones started their functioning) no permission to carry out gambling activity has been issued.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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.</p> <p>Non-cash payments between legal persons via accounts opened with credit institutions is a mandatory procedure. (BoR Provision No. 2-P).</p> <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).</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>The system for supervising the compliance of lawyers and notaries with the AML/CFT Law should be strengthened considerably.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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</p>

	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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>Agreements with the Russian authorities of the four gambling zones will be signed in the near future.</p> <p>In the remaining constituent entities of the Russian Federation, the business of organizing and conducting gambling (including operation of casinos) have been prohibited.</p>
Recommendation of the MONEYVAL Report	<i>The Assay Chamber should have more specialist AML/CFT staff in order to better perform its functions.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>This will give the Assay Chamber more opportunities to use its human resources more effectively.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>Russia should take further steps to strengthen the AML/CFT supervisory regime for accountants.</i>
Measures taken to implement the Recommendation of the Report	<p>In order to strengthen the AML/CFT supervisory regime for accountants and audit firms the following measures have been taken:</p> <p>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</p>

	<p>associations for implementation;</p> <p>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;</p> <p>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;</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 25 (Guidelines & feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Russia should implement the requirement to issue guidance to FIs, beyond the explanation of the law.</i>
Measures taken to implement the Recommendation of the Report	<p>In order to comply with the requirement to issue guidance, besides explanations of the law the Ministry of Finance have taken the following measures</p> <p>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 <i>Financial Gazette</i>, as well as submitted to professional audit associations;</p> <p>2) The Audit Practice Council at the Ministry of Finance has approved methodological recommendations on checking compliance with AML/CFT laws and regulations;</p> <p>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;</p> <p>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".</p> <p>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.</p> <p>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</p>

	<p>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.</p> <p>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”;</p> <p>BoR Letter dated 28 September 2007 No. 155-T “On invalid passports”;</p> <p>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”;</p> <p>BoR Letter dated 2 November 2007 No. 173-T “On the recommendations of the Basel Committee for Banking Supervision”;</p> <p>BoR Letter dated 26 November 2007 No. 183-T “On invalid passports”;</p> <p>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”;</p> <p>BoR Letter dated 13 January 2008 No. 24-T “On raising the effectiveness of preventing suspicious transactions”;</p> <p>BoR Letter dated 4 July 2008 No. 80-T “On strengthening control over individual transactions in promissory notes by natural and legal persons”;</p> <p>BoR Letter dated 3 September 2008 No. 111-T “On raising the effectiveness of preventing suspicious transactions by customers of credit institutions”;</p> <p>BoR Letter dated 23 January 2009 No. 8-T “Supplementing BoR Letter dated 1 November 2008 No. 137-T”;</p> <p>BoR Letter dated 10 February 2009 No. 20-T “On relations with financial institutions of the USA”;</p> <p>BoR Letter dated 27 February 2009 No. 31-T “On information published on the Rosfinmonitoring website”;</p> <p>BoR Letter dated 01 November 2008 No.137-T “On raising the effectiveness of preventing suspicious transactions”</p> <p>Rosfinmonitoring prepared the aforementioned Information Letter No. 2 and Order No. 103 dated 8 May 2009.</p>
(Other) changes since the last evaluation	

Recommendation 29 (Supervisors)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The possibility of practical implementation of this requirement is currently being 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”.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Implementing this recommendation in the proposed context seems to be inexpedient. Revoking a license in cases when the bank owners have been convicted of criminal or economic offences does not have a direct

	<p>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.</p> <p>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.</p> <p>Concerning the BoR efforts on prevention of criminals to management of credit institutions, see comments to Recommendation 23.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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).</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>If such provisions are violated, the FSFM will be entitled to revoke the relevant license.</p> <p>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.</p> <p>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.</p>
Recommendation of	<i>Russia should – as a matter of urgency (i) amend the relevant laws to</i>

the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to implement the Recommendation of the Report	<p>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".</p> <p>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:</p> <p>"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".</p> <p>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.</p> <p>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.</p> <p>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).</p>
Recommendation of the MONEYVAL Report	<p><i>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.</i></p>
Measures taken to	<p>The FSFM has elaborated the Federal draft law "On Amendments</p>

implement the Recommendation of the Report	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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 30 (Resources, integrity and training)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The number of Rosfinmonitoring vacancies is somewhat high, and all vacancies should be filled as a priority task.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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).</p> <p>The MIA and the International Training and Methodological Centre of</p>

	<p>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.</p> <p>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.</p> <p>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.</p>
Recommendation of the MONEYVAL Report	<i>Russia should intensify international training programs on ML and TF, especially for law enforcement officers in the (cross-border) regions.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>Seminars in Vladivostok and Murmansk have been scheduled for October-November 2009 as part of the MOLI-RU 2 project.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p>
Recommendation of the MONEYVAL Report	<i>Staffing levels of the FCS should be increased to keep up with the growing workload.</i>
Measures taken to implement the Recommendation of the Report	<p>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</p>

	<p>customs authorities.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Rosfinmonitoring and other supervisory bodies (Roscommnadzor and FISS) have analyzed their needs for additional staff in charge of the AML/CFT issues and submitted proposals to the Russian Government.</p> <p>The total staff of the FISS and its territorial bodies is 310 persons.</p> <p>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).</p> <p>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</p>

	<p>professional development system for specialists of supervisory bodies.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>The Russian authorities should implement a system that requires adequate transparency regarding the beneficial ownership and control of legal persons.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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)".</p>
(Other) changes since the last evaluation	

Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>Russia should implement the elements of SR.III that go beyond the requirements of the UNSCRs.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>The mechanism of implementing such measures is set out in Article 4 of the Law. It involves issuance by the Russian President, with the</p>

	Parliament's approval, of an order containing specific instructions for the authorities, including Rosfinmonitoring, as well as financial institutions, organizations and natural persons.
Recommendation of the MONEYVAL Report	<i>Russia should rely less on the criminal justice system to be able to effectively implement SR.III.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>Russia needs to implement a national mechanism to examine and give effect to actions initiated under the freezing mechanisms of other jurisdictions.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
(Other) changes since the last evaluation	

Special Recommendation VI (Money/value transfer services)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the	To improve AML/CFT work, Post of Russia has reorganized its internal control system.

<p>Recommendation of the Report</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The replacement of old postal money transfer forms by the new ones was completed by April 2008.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Employees engaged in implementing the Internal Control Rules undergo annual training in matters of AML/CFT.</p> <p>A total of 128 training events took place in 2008. During this period training was provided for:</p> <table data-bbox="552 1848 1356 1913"> <tr> <td>postal service operators</td> <td>- 10515;</td> </tr> <tr> <td>postal office directors</td> <td>- 7,567;</td> </tr> </table>	postal service operators	- 10515;	postal office directors	- 7,567;
postal service operators	- 10515;				
postal office directors	- 7,567;				

	<p>postal office deputy directors - 2,568; head postal office workers - 422; branch administration employees - 532; TOTAL: - 21604.</p> <p>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.</p> <p>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.</p>
Recommendation of the MONEYVAL Report	<i>Russia should find ways to ensure that Roscomnadzor has sufficient powers to correct deficiencies found in Post of Russia's AML/CFT compliance.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>The relevant enactments are expected to be passed after the adoption of the said Law.</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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 .</p> <p>Authorized representatives of the following bodies may take part in the Interagency Commission with advisory vote :</p> <p>State Duma Security Committee and Financial Market Committee; Administrative Department of the Russian Government and</p>

	<p>Economics and Finance Department of the Russian Government; Russian Security Council Management ; Russian State Assay Chamber at the Russian Finance Ministry.</p> <p>Commission meetings are open for participation of the Prosecutor General of the Russian Federation, his deputies and other prosecutors at secondment .</p> <p>All the AML/CFT Interagency Commission’s decisions are officially recorded and are binding.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

Special Recommendation VII (Wire transfer rules)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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 .</p>
(Other) changes since the last evaluation	

Recommendation VIII (Non-profit organizations)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>Russia should undertake a comprehensive review of the NPO system, as foreseen by Special Recommendation VIII.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>The newly established system has just started active operation.</p>
Recommendation of the MONEYVAL Report	<i>Russia should reach out to and engage with the NPO sector, to learn from</i>

Report	<i>the sector, to promote values and the like.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>The Russian authorities should set up a more formalized and efficient system that focuses on potential vulnerabilities and to share information to target abuse.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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. In 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 .</p> <p>Authorized representatives of the following bodies may take part in the Interagency Commission with advisory vote :</p> <p>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.</p> <p>Commission meetings are open for participation of the Prosecutor General of the Russian Federation, his deputies and other prosecutors at secondment .</p> <p>In the course of performing AML/CFT functions, the Interagency Commission:</p> <p>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.</p> <p>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</p>

	<p>participation in the Commission's work.</p> <p>d) organizes preparation of informational, analytical and methodological materials and forecasts for purposes of current monitoring of effective AML/CFT efforts;</p> <p>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;</p> <p>f) duly submits proposals to the Russian Government relating to matters within the Commission's competence, which require decision of the Russian Government;</p> <p>g) monitors implementation of the Commission's decisions within the competence and objectives of the Commission.</p>
Recommendation of the MONEYVAL Report	<i>Existing rules should be fully implemented.</i>
Measures taken to implement the Recommendation of the Report	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).
(Other) changes since the last evaluation	

Special Recommendation IX (Cross border declaration and disclosure)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	<i>Russia should implement all elements of an effective system to deter illegal cross border movements of currency.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p> <p>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.</p> <p>The bill proposes changes and additions to 6 Federal Laws:</p> <p>1. The Customs Code of the Russian Federation:</p> <ul style="list-style-type: none"> - 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

	<p>become economically irrational, as well as substantially limiting opportunities for legalizing such goods in the domestic market and proceeds from their sale;</p> <ul style="list-style-type: none"> - 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. <p>2. Federal Law “On Foreign Exchange Regulation and Control”:</p> <ul style="list-style-type: none"> - 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; <p>The purpose of amendments and additions to the Federal Law “On Foreign Exchange Regulation and Control” is to create:</p> <ul style="list-style-type: none"> - 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). <p>3. Federal Law “On Anti Money Laundering and Combating the Financing of Terrorism”:</p> <ul style="list-style-type: none"> - 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
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	<p>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;</p> <ul style="list-style-type: none"> - determining the procedure for Rosfinmonitoring to run a check of suspicious cross-border movement detected by the customs authorities. <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The automated system will enable automatic detection of persons in the Rosfinmonitoring list of terrorists and suspicious persons.</p>
Recommendation of the MONEYVAL Report	<i>Staffing levels of the FCS should be increased to keep up with the growing workload.</i>
Measures taken to implement the Recommendation of the Report	<p>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.</p> <p>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.</p>
Recommendation of	<i>The FCS should be encouraged to continue fighting corruption.</i>

the MONEYVAL Report	
Measures taken to implement the Recommendation of the Report	<p>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 in budget spending per one employee.</p> <p>Since the FATF evaluation, the authorities continue to take anti-corruption measures.</p> <p>On 31 July 2008, the Russian President approved a national anti-corruption plan under which the customs authorities are organizing work to fight corruption.</p> <p>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.</p> <p>Corruption is being fought in close cooperation with other units of the customs authorities, mainly, the law enforcement divisions.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

	<p>As of August 2009, the total manpower of internal security units (ISUs) is 948 persons.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>Authorities should as a priority commence an awareness raising campaign, for all levels of staff in all regions.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>In August 2009, the FCS issued a directive “On measures to eliminate deficiencies detected by FATF experts, 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”.</p> <p>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.</p> <p>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.</p> <p>Law enforcement units of the customs authorities regularly attend coordination meetings with the law enforcement bodies and other state authorities.</p> <p>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.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>The authorities should ensure that customs and law enforcement cooperate in all regions and are aware of each others’ cases, especially relating to the fight against alternative remittance systems.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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.</p>

	<p>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.</p> <p>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.</p> <p>Russia signed similar agreements with law enforcement units of the CIS customs services. In total 7 agreements were signed in 2008-2009.</p> <p>Currently, under these agreements the parties are sharing preventive intelligence, including that in the field of AML/CFT.</p> <p>In 2008-2009, the customs authorities conducted over 20 joint operations with other law enforcement bodies, which involved AML/CFT efforts.</p> <p>Measures have been taken to strengthen cooperation between the FSS and FCS:</p> <ul style="list-style-type: none"> - 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. <p>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".</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The measures to improve the legislative framework and bring the passenger customs declaration form into line with the law are described above.</p> <p>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.</p>
Recommendation of the MONEYVAL Report	<i>Russia should ensure that sending cash or bearer negotiable instruments through containerized cargo is covered in law and practice.</i>
Measures taken to implement the	Any physical movement of cash or bearer negotiable instruments across the border is currently covered by the RF Customs Code and the RF

<p>Recommendation of the Report</p>	<p>Law “On Foreign Exchange Regulation and Foreign Exchange Control”, which also includes containerized cargo.</p> <p>The provisions of customs legislation obligate persons moving cash with containerized cargo to declare such cash in the customs cargo declaration.</p> <p>The following measures are used to detect illegal movement of cash and bearer negotiable instruments concealed in cargo containers:</p> <ul style="list-style-type: none"> - 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.
<p>Recommendation of the MONEYVAL Report</p>	<p><i>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.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>Measures taken to implement this recommendation of the Report are reflected above.</p> <p>The automated system that is now being developed will enable automatic entry of information into an electronic database.</p> <p>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.</p> <p>A functionality will be developed to analyze information in the electronic database to detect and track persons involved in money laundering or terrorist financing.</p>
<p>Recommendation of the MONEYVAL Report</p>	<p><i>The administrative penalties for false or non declarations should be raised considerably.</i></p>
<p>Measures taken to implement the Recommendation of the Report</p>	<p>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.</p> <p>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.</p>
<p>(Other) changes since the last evaluation</p>	<ul style="list-style-type: none"> - 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.

4. *Specific Questions*

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 appropriate 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 units (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.

5. *Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)*⁴

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.	<i>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.</i>

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3 rd Directive ⁵ (please also provide the legal text with your reply)	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 3 rd Directive.

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

⁴ For relevant legal texts from the EU standards see Appendix II.

⁵ See Please see Article 3(6) of the Third Directive reproduced in Annex II.

	<p>products);</p> <ul style="list-style-type: none"> - 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). <p>A credit institution may also use additional types of high-risk transactions.</p>
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Politically Exposed Persons

<p>Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive⁶ are provided for in your domestic legislation (please also provide the legal text with your reply).</p>	<p>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:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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⁶ See Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

	<p>This position has been brought to the attention of FIs through relevant information postings on the official Rosfinmonitoring website.</p> <p>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.</p>
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“Tipping off”	
<p>Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.</p>	<p>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.</p> <p>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.</p> <p>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 shall not tip off customers of such institutions and other persons about the AML/CFT measures being taken.</p>

DNFBPs	
<p>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.</p>	<p>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.</p> <p>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.</p>

6. Statistics

Table 1

Money laundering: investigations / prosecutions / convictions (2003 – 01.07.2009)				
	Year	Money laundering	Self-laundering	Total
Number of ML crimes investigated	2003	481	137	618
	2004	271	1 706	1 977
	2005	524	6 937	7 461
	2006	631	7 326	7 957
	2007	365	8 670	9 035
	2008	319	8 064	8 383
	01.07.2009	217	6 639	6 856
	Total	2 808	39 479	42 287
Number of persons investigated for money laundering	2003	126	55	181
	2004	118	577	695
	2005	261	2 227	2 488
	2006	205	2 417	2 622
	2007	154	2 306	2 460
	2008	166	2 633	2 799
	01.07.2009	103	1 724	1 827
	Total	1 133	11 939	13 072
Number of completed money laundering investigations	2003	471	112	583
	2004	222	1 549	1 771
	2005	377	6 359	6 736
	2006	582	6 942	7 524
	2007	295	8 258	8 553
	2008	220	7 366	7 586
	01.07.2009	126	6 156	6 282
	Total	2 293	36 742	39 035
Number of money laundering cases sent to court	2003	364	101	465
	2004	145	1 490	1 635
	2005	305	6 079	6 384
	2006	452	6 428	6 880
	2007	242	7 021	7 263
	2008	119	6 241	6 360
	01.07.2009	45	5 081	5 126
	Total	1 672	32 441	34 113
Number of persons charged with money laundering	2003	68	49	117
	2004	93	552	645

	2005	232	2 101	2 333
	2006	146	2 170	2 316
	2007	111	2 009	2 120
	2008	82	2 055	2 137
	01.07.2009	35	1 129	1 164
	Total	767	10 065	10 832
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).	2003	11	3	14
	2004	14	42	56
	2005	126	293	419
	2006	109	423	532
	2007	110	416	526
	2008	84	755	839
	01.07.2009	N/A	N/A	N/A
	Total	454	1 932	2 386

Table 2

Stand alone convictions (2003 – 01.07.2009)								
Money laundering								
Year	2003	2004	2005	2006	2007	2008	01.07.2009	Total
Imprisonment	-	1	5	9	25	2	N/A	42
Conditional imprisonment	3	2	7	5	14	12	N/A	43
Fine	-	-	7	11	10	3	N/A	31
Total Sanctions	3	3	19	25	49	17	N/A	116
Self-laundering								
Imprisonment	-	5	14	32	20	38	N/A	109
Conditional imprisonment	-	7	14	47	43	64	N/A	175
Fine	-	-	12	14	22	17	N/A	65
Total Sanctions	0	12	40	93	85	119	N/A	349

Table 3

Terrorist financing: investigations/ prosecutions/ convictions (2003 – 01.07.2009)		
	Year	Number
Number of TF crimes investigated	2003	N/A
	2004	16
	2005	4
	2006	15
	2007	7
	2008	10

	01.07.2009	10
	Total	62
Number of persons investigated for TF	2003	N/A
	2004	4
	2005	18
	2006	21
	2007	3
	2008	12
	01.07.2009	3
	Total	61
	Number of completed TF investigations	2003
2004		3
2005		12
2006		9
2007		3
2008		8
01.07. 2009		4
Total		39
Number of TF cases sent to court		2003
	2004	2
	2005	14
	2006	9
	2007	-
	2008	6
	01.07. 2009	2
	Total	33
	Number of persons convicted of TF	2003
2004		2
2005		15
2006		7
2007		1
2008		1
01.07.2009		2
Total		28

Table 4

Statistics on criminal cases containing FIU material (2003 – 01.07.2009)		
	Year	Number
Number of ML investigations (law enforcement / prosecution) containing FIU material	2003	22
	2004	540
	2005	1 300
	2006	2 103
	2007	3 065
	2008	3 807
	01.07.2009	2 696
	Total	13 533
Number TF investigations (law enforcement / prosecution) containing FIU material	2003	N/A
	2004	N/A
	2005	N/A
	2006	7
	2007	12
	2008	19
	01.07.2009	9
	Total	47
Number of ML cases containing FIU material transferred to court	2003	1
	2004	2
	2005	35
	2006	208
	2007	71
	2008	73
	01.07.2009	66
	Total	456
Number of convictions for ML in cases containing FIU material	2003	4
	2004	9
	2005	16
	2006	95
	2007	46
	2008	58
	01.07.2009	51
	Total	279

Table 5

Statistics for confiscation and freezing (2003 – 01.07.2009)				
	Year	Total	Article 174 CC	Article 174.1 CC
Money laundering only				
Number of cases of freezing or seizure of property	2003	N/A		
	2004	N/A		
	2005	264	53	211
	2006	227	16	211
	2007	261	24	237
	2008	282	18	264
	01.07.2009	253	16	237
	Total	1 287	127	1 160
Amounts frozen or seized (x 1000 RUB)	2003	185 880	75 207	110 673
	2004	62 506	4 806	57 700
	2005	739 707	32 312	707 395
	2006	563 071	80 621	482 450
	2007	829 879	598 310	231 569
	2008	155 587	3 135	152 452
	01.07.2009	282 780	-	282 780
	Total	2 819 410	794 391	2 025 019
Amounts confiscated (x 1000 RUB)	2003	112 079	13 883	98 196
	2004	103 191	4 388	98 803
	2005	79 174	13 139	66 035
	2006	385 992	36 474	349 518
	2007	897 141	11 682	885 459
	2008	232 653	36 003	196 650
	01.07.2009	59 692	2 469	57 223
	Total	1 869 922	118 038	1 751 884

Table 6

Suspended transactions and amounts frozen (2003 – 01.07.2009)		
	Year	Number
Number of suspended transactions (national terrorist list only)	2003	0
	2004	4
	2005	8
	2006	7
	2007	22
	2008	11
	01.07.2009	4
	Total	56
Amounts frozen (USD) (national terrorist list only)	2003	0
	2004	5 988
	2005	489 054
	2006	28 438
	2007	69 284
	2008	39 396
	01.07.2009	12 034
	Total	644 194

Table 7

MLA requests related to ML (2003 – 01.07.2009)		
	Year	Number
MLA requests - received	2003	3
	2004	4
	2005	65
	2006	79
	2007	21
	2008	49
	01.07.2009	48
	Total	269
MLA requests - answered	2003	3
	2004	4
	2005	65
	2006	79
	2007	21
	2008	16
	01.07.2009	12
	Total	200

Table 8

Statistics on reports received by the FIU (2003 – 01.07.2009)		
	Year	Number
Number of STRs received by the FIU	2003	303 900
	2004	658 000
	2005	1 545 499
	2006	3 777 124
	2007	5 504 559
	2008	5 416 341
	01.07.2009	1 978 540
	Total	19 183 963
All reports received by the FIU (incl. STRs)	2003	974 873
	2004	1 772 595
	2005	3 053 382
	2006	6 147 974
	2007	8 548 641
	2008	8 597 386
	01.07.2009	3 122 317
	Total	32 217 168
Number of STRs transferred to law enforcement	2003	18 000
	2004	12 000
	2005	80 000
	2006	122 000
	2007	30 060
	2008	55 121
	01.07.2009	9 842
	Total	327 023

Table 9

Reports by Credit institutions (2003 – 01.07.2009)							
Year	2003	2004	2005	2006	2007	2008	01.07.2009
Mandatory reports	647 222	1 071 640	1 456 518	2 270 844	2 797 911	2 869 557	1 048 363
STRs	303 218	655 267	1 542 141	3 773 734	5 489 213	5 368 717	1 969 553
All reports	950 440	1 726 907	2 998 659	6 044 578	8 287 124	8 238 274	3 017 916

Table 10

Reports by non-CI FIs						
(2005 – 01.07.2009)						
Year		2005	2006	2007	2008	01.07.2009
Securities markets	Mandatory reports	2 103	4 329	7 637	6 859	2 551
	STRs	328	847	3 686	4070	1 196
Investment and pension funds	Mandatory reports	788	787	2 100	2909	1 715
	STRs	92	72	510	1382	177
Post of Russia	Mandatory reports	1	1 218	5 530	16 364	817
	STRs	67	271	5 645	33 865	4 404
Insurance sector	Mandatory reports	1 943	5 292	10 182	12 577	7 432
	STRs	33	346	1 345	515	245
Leasing companies	Mandatory reports	40 496	70 631	163 151	160 197	34 201
	STRs	311	334	2 127	3137	1 262
	All reports	46 162	84 127	201 913	241 855	54 000

Table 11

Reports from non-credit non-financial institutions						
(2005 – 01.07.2009)						
Year		2005	2006	2007	2008	01.07.2009
Dealers in precious metals and precious stones	Mandatory reports	6 408	17 172	43 267	90 185	41 495
	STRs	2 503	1 185	874	2 896	1 038
Casinos	Mandatory reports	524	1 491	2 879	3 723	1 818
	STRs	21	162	229	569	334
Real estate agents	Mandatory reports	163	1 619	11 425	18 694	5 385
	STRs	0	82	599	871	272
Lawyers and notaries and persons providing legal or accounting services	Mandatory reports	-	-	-	-	-
	STRs	3	91	331	319	59
	All reports	9 622	21 802	59 604	117 257	50 401

Table 12

Number of reports related to TF (2004 – 01.07.2009) Breakdown per reporting entity (FIs only)							
Financial institution	Type of report	2004	2005	2006	2007	2008	01.07.2009
Credit institutions	Mandatory reports	389	722	860	899	1 183	663
	STRs	1 709	8 861	24 034	26 601	20 938	6 628
Securities markets	Mandatory reports	0	0	0	0	0	2
	STRs	3	8	21	24	19	8
Investment and pension funds	Mandatory reports	0	0	0	0	0	0
	STRs	0	3	3	2	6	1
Post of Russia	Mandatory reports	0	0	1	2	0	5
	STRs	1	3	5	12	18	7
Insurance sector	Mandatory reports	0	0	1	22	14	12
	STRs	2	6	22	2	1	3
Leasing companies	Mandatory reports	0	0	0	0	1	0
	STRs	0	0	0	0	0	0
	All reports	2 104	9 603	24 947	27 564	22 180	7 329

Table 13

Number of on-site visits (2003 – 01.07.2009)		
Financial Institutions	Year	Number of visits
Credit institutions	2003	1 699
	2004	2 592
	2005	1 425
	2006	1 419
	2007	1 362
	2008	1 171
	01.07.2009	444
Securities market (including investment and pension funds)	2003	171
	2004	209
	2005	198
	2006	235
	2007	259
	2008	238
	01.07.2009	131
Insurance sector	2003	N/A
	2004	138
	2005	164
	2006	168
	2007	263
	2008	665
	01.07.2009	152
Post of Russia	2005	496
	2006	187
	2007	594
	2008	1 257
	01.07.2009	832
Leasing companies	2003	60
	2004	203
	2005	220
	2006	329
	2007	520
	2008	495
	01.07.2009	251
Organizations which are not credit institutions and which receive cash from natural persons, in the cases stipulated by the legislation on banks and banking activity	2007	9
	2008	57
	01.07.2009	43

Table 13.1

Number of on-site visits (2006 – 01.07.2009)		
Non-financial Institutions	Year	Number of visits
Dealers in precious metals and precious stones	2006	305
	2007	583
	2008	608
	01.07.2009	257
Casinos	2006	190
	2007	73
	2008	75
	01.07.2009	53
Real estate agents	2006	627
	2007	811
	2008	961
	01.07.2009	317
Lawyers	2006	N/A
	2007	4 672
	2008	9 432
	01.07.2009	1 665
Notaries	2006	N/A
	2007	2 161
	2008	3 763
	01.07.2009	N/A
Auditors	2006	515
	2007	577
	2008	380
	01.07.2009	N/A

Table 14

Measures and sanctions applied by BoR (all figures) (2003 – 01.07.2009)		
	Year	Number
Summary of deficiencies and breaches presented to the management of the institution	2003	353
	2004	459
	2005	385
	2006	343
	2007	392
	2008	339
	01.07.2009	114
Instructions to eliminate identified breaches, identified during an on-site visit within a fixed term	2003	135
	2004	142
	2005	373
	2006	389
	2007	344
	2008	229
	01.07.2009	62
Limit certain operations and restrict opening of new branches	2003	7
	2004	71
	2005	238
	2006	529
	2007	327
	2008	252
	01.07.2009	58
Penalties applied by BoR (only applied to legal persons)	2003	81
	2004	105
	2005	284
	2006	232
	2007	252
	2008	170
	01.07.2009	35
Licences revoked	2003	0
	2004	2
	2005	14
	2006	51
	2007	44
	2008	7
	01.07.2009	6

Table 15

Measures and sanctions applied by FSFM (2003 – 01.07.2009)		
	Year	Securities, investment and pension funds
Number of orders for breaches of the AML/CFT legislation sent to Rosfinmonitoring	2003	141
	2004	50
	2005	45
	2006	61
	2007	71
	2008	70
	01.07.2009	22
Number of orders on suspension of the licence for breaches of the AML/CFT legislation	2003	6
	2004	0
	2005	3
	2006	7
	2007	0
	2008	5
	01.07.2009	0
Number of orders on annulment of the licence for breaches of the AML/CFT legislation	2003	2
	2004	1
	2005	2
	2006	3
	2007	4
	2008	19
	01.07.2009	6

Table 16

Number of sanctions applied by Rosfinmonitoring					
(2006 – 01.07.2009)					
			Number of sanctions	Officials	Legal persons
Financial Institutions	Credit institutions	2006	2	N/A	N/A
		2007	4	N/A	N/A
		2008	6	5	1
		01.07.2009	1	1	0
	Securities markets (including investment and pension funds)	2006	7	2	5
		2007	5	2	3
		2008	15	5	10
		01.07.2009	28	12	16
	Insurance sector	2006	13		
		2007	5	2	3
		2008	11	4	7
		01.07.2009	15	6	9
	Post of Russia	2006	1	N/A	N/A
		2007	8	7	1
		2008	11	11	0
		01.07.2009	3	3	0
	Leasing companies	2006	295	97	158
		2007	295	118	177
		2008	265	86	179
		01.07.2009	154	59	95
Organizations which are not credit institutions and which receive cash from natural persons, in the cases stipulated by the legislation on banks and banking activity	2006	0	0	0	
	2007	3	1	2	
	2008	25	16	9	
	01.07.2009	20	10	10	
Non-financial institutions	Casinos	2006	82	40	42
		2007	50	23	27
		2008	22	9	13
		01.07.2009	43	26	17
	Real estate agents	2006	354	197	157
		2007	400	190	210
		2008	529	315	214
		01.07.2009	161	95	66
	Dealers in precious metals and precious stones	2006	N/A	N/A	N/A
		2007	206	101	105
		2008	283	141	142
		01.07.2009	83	37	46

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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Russia should implement the elements of 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)	<ul style="list-style-type: none"> • The number of personnel 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)	<ul style="list-style-type: none"> • 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 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 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.

Recommended Action	
2.7 Cross Border Declaration & Disclosure	<ul style="list-style-type: none"> • 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 encouraged 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	<ul style="list-style-type: none"> • No recommendations.
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	<p><i>Recommendation 5</i></p> <ul style="list-style-type: none"> • 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. • 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

Recommended Action	
	<p>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.</p> <ul style="list-style-type: none"> • Further guidance to FIs should be developed to ensure that legal arrangements are appropriately identified as the financial sector grows and becomes more international. <p><i>Recommendation 6</i></p> <ul style="list-style-type: none"> • 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. <p><i>Recommendation 7</i></p> <ul style="list-style-type: none"> • 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. <p><i>Recommendation 8</i></p> <ul style="list-style-type: none"> • Russia should review the existing limited requirements (which relate largely to remote banking) and to provide appropriate measures on the basis of that review.
3.3 Third parties and introduced business (R.9)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<p><i>Recommendation 10</i></p> <ul style="list-style-type: none"> • 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. <p><i>Special Recommendation VII</i></p> <ul style="list-style-type: none"> • Russia should amend the current AML/CFT regime to address the following deficiencies <i>i)</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, <i>ii)</i> 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, <i>iii)</i> the BoR should provide specific guidance to credit institutions regarding the application of wire transfer regulations to batch transfers, <i>iv)</i> Russia should develop rules requiring financial institutions

Recommended Action	
	<p>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.</p>
3.6 Monitoring of transactions and relationships (R.11 & 21)	<p><i>Recommendation 11</i></p> <ul style="list-style-type: none"> • 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. <p><i>Recommendation 21</i></p> <ul style="list-style-type: none"> • 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.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	<p><i>Recommendation 13 and Special Recommendation IV</i></p> <ul style="list-style-type: none"> • 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. <p><i>Recommendation 14</i></p> <ul style="list-style-type: none"> • Russia should extend the safe harbour provision and the tipping off prohibition to the FIs and their directors. <p><i>Recommendation 25</i></p>

Recommended Action	
	<ul style="list-style-type: none"> • 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)	<p><i>Recommendation 15</i></p> <ul style="list-style-type: none"> • 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. <p><i>Recommendation 22</i></p> <ul style="list-style-type: none"> • 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.
3.9 Shell banks (R.18)	No recommendations.
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions,	<p><i>Recommendation 23 / banking sector</i></p> <ul style="list-style-type: none"> • 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

Recommended Action

duties and powers (including sanctions) (R.23, 29, 17 & 25)

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.

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

Recommended Action	
	<p>or economic offences (concerns the FSFM, the FISS, ROSCOM and Rosfinmonitoring).</p> <ul style="list-style-type: none"> 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. <p><i>Recommendation 17</i></p> <ul style="list-style-type: none"> 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. <p><i>Recommendation 25</i></p> <ul style="list-style-type: none"> Russia should implement the requirement to issue guidance to FIs, beyond the explanation of the law.
3.11 Money value transfer services (SR.VI)	<ul style="list-style-type: none"> 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 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)	<ul style="list-style-type: none"> 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.

Recommended Action	
	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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 monitoring (R.24-25)	<ul style="list-style-type: none"> • 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 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)	<ul style="list-style-type: none"> • 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.

Recommended Action	
Section 5. Legal Persons and Arrangements & Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	<ul style="list-style-type: none"> • 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 (R.34)	<ul style="list-style-type: none"> • No recommendations.
5.3 Non-profit organisations (SR.VIII)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Russian authorities 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

Recommended Action	
	with a number of countries.
6.4 Extradition (R.39, 37 & SR.V)	<ul style="list-style-type: none"> • Russia should further enhance the existing system of reviews in relation to extradition according to Instruction No. 32/35 and maintain comprehensive 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)	<ul style="list-style-type: none"> • No recommendations.
Section 7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	<ul style="list-style-type: none"> • See recommendations relating to other recommendations.
7.2 Other relevant AML/CFT measures or issues	<ul style="list-style-type: none"> • No recommendations.
7.3 General framework – structural issues	<ul style="list-style-type: none"> • No recommendations.

APPENDIX II

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 shall 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 shall 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 EU AML/CFT Directive 2005/60/EC (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;

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

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" shall 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, charges 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 shall be understood as covering middle ranking or more junior officials.

The categories set out in points (a) to (e) of the first subparagraph shall, 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" shall 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" shall 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 shall not be obliged to consider such a person as politically exposed.