

MEETING OF ROSFINMONITORING'S COLLEGIUM

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On October 30, 2020, the Collegium meeting of the Federal Financial Monitoring Service entitled "Interim Results of Rosfinmonitoring's Efforts Aimed at Enhancing Effectiveness of AML/CFT System in terms of Immediate Outcomes and Technical Compliance with the FATF Recommendations" was held.

In his welcome speech, **Director of Rosfinmonitoring Yury Chikhanchin** reminded that the comprehensive assessment of the Russian AML/CFT system's compliance with the Financial Action Task Force (FATF) standards conducted last year proved the effectiveness of the system. At present, however, the goal is not just to keep the achieved results, but also to demonstrate progress by 2023.

Yury Chikhanchin:

"In the period under review, we encountered new risks and threats, which include: risks related to more extensive misuse of virtual assets for ML/TF purposes, risks related to COVID-19 consequences and a number of other risks affecting the overall operational environment in the country. Nevertheless, our joint efforts undertaken in 2020 demonstrated that we managed to achieve a lot in this area."

At the same time, the Director of Rosfinmonitoring pointed out that a lot has been done.

Yury Chikhanchin:

"Close cooperation with the Ministry of Finance, Central Bank, General Prosecutor's Office, Federal Security Service, Ministry of Internal Affairs, Ministry of Economic Development and Ministry of Justice resulted in successful adoption of over 10 regulations that helped to settle relations pertaining to the mandatory monitoring procedure and to eliminate vulnerabilities related to the use of "non-personalized" electronic means of payment. The concept of "digital currency" has been introduced into the legal framework. In furtherance of the "risk-based approach" concept introduced by the FATF, the unified criteria for assessing the risks in public sector have been agreed with the government agencies, and measures intended to mitigate these risks are being developed. Importantly, a large number of the AML/CFT system stakeholders, including the Federal Tax Service, Treasury, Federal Antimonopoly Service, Federal Security Service and General Prosecutor's Office, are actively engaged in this work. For the purpose of mitigating the supranational risks, a preliminary agreement on inclusion of the AML/CFT related issues into the guidance documents of the Eurasian Economic Union has been achieved."

Yury Chikhanchin pointed out that the important work is being carried out in cooperation with the Central Bank. These efforts are focused, primarily, on further improvement of the legislation in order to upgrade the mechanisms for prevention of criminals from becoming beneficial owners and to develop approaches to assessment of business reputation of microcredit institutions' senior managers. Besides that, the suspicious transactions indicators have been updated.

Yury Chikhanchin:

"In close cooperation with the Federal Tax Service, we continue to seek ways to enhance transparency of financial institutions and to improve the identification mechanism of the companies' beneficial owners that are of interest to the government authorities, which was positively evaluated by the FATF experts. The constructive dialogue with the colleagues from the law enforcement agencies was held at the General Prosecutor's Office headquarters to discuss the quality of our disseminations and their practical use. In this area, we also undertake a number of measures that will allow for improving the quality of disseminated materials. The Personal Account on the website of a law

enforcement agency should become one of the effective cooperation instruments that will enable us to see the whole operational picture and to promptly exchange information through the so-called “one window.”

The ongoing efforts are undertaken in cooperation with the law enforcement agencies to decrease the crime rate in both specific regions and industries. In particular, a number of measures have been implemented jointly with the Federal Security Service and Ministry of Internal Affairs to reduce the crime rate in the forest industry, which has been identified by the President of the Russian Federation as the problem sector.

Yury Chikhanchin:

“In the framework of comprehensive measures undertaken in cooperation with the Federal Security Service, the financial links of a large international religious organization, recognized as the extremist one in the territory of the Russian Federation, were revealed, and the channels used for illicit arms trafficking were disrupted. For the first time this year, the joint efforts resulted in initiation of the criminal proceedings for committing the international terrorist attacks. The established cooperative arrangements allowed the law enforcement agencies (that, inter alia, employ the Rosfinmonitoring’s capabilities) to prevent 40 terrorist offences, including 26 terrorist attacks, in 2020.”

In his report, State Secretary – **Deputy Director of Rosfinmonitoring German Neglyad** identified the specific measures that should be taken in order to improve the effectiveness of the national AML/CFT/CPF system (report on the implementation of these measures will be presented to the FATF at the end of 2022).

On June 12, 2020, the President of the Russian Federation established the Interagency Commission on Implementation of Measures to Improve the AML/CFT System Based on the Evaluation Findings. On August 20, 2020, the Commission approved the comprehensive interagency action plan developed for implementation of the FATF recommendations.

German Neglyad presented the report on the interim results and the areas of work in the context of 11 indicators identified by the FATF and pointed out new risks and threats:

“Measures taken this year also allowed us to decline the total volume of money cashed out with the use of “traditional” methods, inter alia, through retail enterprises. At the same time, the more stringent controls led to the increase in the volume of money cashed out through misuse of execution documents.”

With the outbreak of COVID-19 pandemic in 2020, Rosfinmonitoring observes more extensive use of fraudulent schemes aimed at embezzlement of public funds allocated to support the business. Fraudsters also actively use phishing scams by sending e-mails with links to the fake websites mimicking the official sites of the government authorities and institutions.

In the context of the pandemic, the risks related to solicitation of charitable donations, allegedly collected for providing financial aid to the population, have also increased.

German Neglyad:

“With a view to mitigating the aforementioned risks, Rosfinmonitoring has updated the indicators of suspicious transactions and conducted over one thousand inspections. The findings of these inspections have been disseminated to the law enforcement and other government authorities. Following the results, criminal cases have already been initiated.”

The Rosfinmonitoring’s priority for the next two years should be the implementation of the Action Plan developed for fulfillment of the FATF recommendations in a complete and timely manner, including the following:

- Conducting the national and sectoral ML/TF risk assessment, as well as risk assessment of legal entities;

- Conducting risk-based AML/CFT supervision and ensuring effectiveness of the supervisory measures;
- Improving the regulation within the national AML/CFT/CPF system, taking into account the outcomes of the FATF mutual evaluation;
- Increasing effectiveness of the international AML/CFT cooperation;
- Enhancing effectiveness of measures aimed at ensuring transparency of legal persons and arrangements.