

SUMMARY RECORD
8th EAG PLENARY MEETING

July 16-17, 2008

“Issyk-Kul -Aurora” Resort, Kyrgyzstan

NON-CONFIDENTIAL ITEMS

2. Mutual evaluations of EAG member states (RUSSIAN FEDERATION) –

- **EAG/ME(2008)1**

- **EAG/ME(2008)1/ADD.2**

The Plenary discussion of the mutual evaluation report of Russian Federation was chaired by Mrs. Kalimbetova (EAG Deputy Chairman).

The Plenary heard the information of the WGEL – Co-chair on the results of the preliminary discussion of the FATF/MONEYVEL/EAG mutual evaluation report of Russia on WGEL including the list of issues recommended for the Plenary consideration.

The discussion procedure was presented by the Acting EAG Executive Secretary who also informed the Plenary about technical amendments made by the assessment team as a result of the WGEL discussion:

- The wording in section 3.1 was changed concerning the payment acceptance services: the changes reflect that all operators fall under the AML/CFT Law (the given wording coincides with the description of the regulatory system for such operators in section 3.11).
- The rating box of R.29 has been amended to match the text of section 3.10: the point in the rating regarding the absence of powers of FSFM to request the documents of non-state pension funds in the course of inspections.

The Plenary meeting heard the assessment team, the Secretariat and representatives of Russia. Russia noted that the mutual evaluation report doesn't fully reflect the AML/CFT system in the Russian Federation and expressed special discontent on the ratings for the FATF Special Recommendations. Russia noted that it doesn't pursue the aim to change the ratings and the text of the report and proposed to the Plenary to record the results of the discussion in the summary record of the meeting in order to use it in the framework of the follow-up report of Russia. The Acting EAG Executive Secretary confirmed that the revised EAG procedure of mutual evaluations allows the Plenary to discuss the report according to the proposed scenario.

Decisions made:

- Special Recommendation III: The Plenary decided that in the Russian Federation the improvement of the asset freeze system of terrorist funds should be implemented in the framework of the existing criminal procedure and other mechanisms. In order to implement the appropriate recommendations of the mutual evaluation report Russia doesn't need to introduce any other new mechanisms.

- The normative acts of the Government and the Bank of Russia should be categorized as “regulation”: The Plenary agreed with the Russian opinion that the secondary regulatory acts should be considered “regulation” based on the FATF classification. These acts are issued based on the authorization that is delegated to the appropriate authority by law.
- Recommendation 5 (accounts in fictitious names): The Plenary agreed that in Russia accounts in fictitious names are not allowed to be kept and suggested to continue implementing the relevant recommendation of the mutual evaluation report.
- Recommendation 19 and 29 (withdrawal of license for convictions of the shareholders of the financial institution). The plenary agreed with the opinion of Russia and the assessment team to consider in further follow-up reports that the recommendation of the report on withdrawing the financial institution’s license on the basis of a conviction of the shareholders should be used only in exceptionally limited cases. At the same time Russia should have flexibility to implement this type of sanction.
- Recommendation 17 and 29 (the effectiveness of sanctions applied by supervisory bodies). The Plenary meeting agreed to take into account the opinion of Russia and the assessment team related to the different levels of effectiveness of sanctions by various authorities, particularly the FSFM and Rosfinmonitoring and their experience in imposing sanctions more effectively than other non-bank supervisory bodies.
- Recommendation 23 (market entry into the ownership of credit institution). The Plenary meeting decided that Russia, for the purpose of minimizing risks of criminal penetration into a structure property of credit institution, doesn’t need to reduce the level of entering into a market up to 10%, if it will be prevailed by other measures.

Important issues raised

- Belarus, Kyrgyzstan, Armenia, Tajikistan noted that the legal system of CIS countries doesn’t provide for a procedure, where secondary legislation is approved by a legislative body. In this case the authorization, delegated by a legislative body to the Government or Department to issue secondary legislation, raises these acts to the level of “regulation”(in FATF terminology). Kyrgyzstan noted that, in the Kyrgyzstan report, a similar situation arose in relation to the acts on AML/CFT, published by the National Bank of Kyrgyzstan (NBK) on the basis of a special item of Banking Act: In case of Kyrgyzstan a similar decision was made to categorize these acts of NBKR as “regulations”, therefore a similar decision must be expected in the Russian report.
- The United States asked whether the decisions of the Plenary Meeting on certain recommendations can lead to two different standards on the follow-up monitoring of Russia by the EAG and the similar monitoring by the FATF. The Acting EAG Executive Secretary noted that follow-up monitoring procedures of the FATF and regional bodies are not currently interlinked. In this regard different organizations have the right to independently evaluate the level of implementation of the recommendations of the mutual evaluation report.
- Representatives of the World Bank noticed that the existing Russian mechanisms of prevention of bank accounts keeping in the fictitious names don’t except using of similar instruments (for example previously issued bearer savings books). Russia noticed that

identification rules in case of using all types of financial instruments, owned by Russia, ensure complete identification of users.

- MONEYVAL noted that the MONEYVAL Plenary meeting discussed the application of the MER recommendation on withdrawing a financial institution's license for a conviction of its owner. MONEYVAL informed that the Plenary meeting decided to give Russia flexibility in implementing this recommendation, which should be applied only in limited circumstances.
- Belarus and Tajikistan noted that the FATF Recommendations don't set a specific threshold of market entry. In that case the remark in relation to the threshold of the Russian Federation which is set at a level of 20% isn't based on international standards.

The Plenary meeting approved the FATF/EAG/MONEYVAL Mutual Evaluation Report of the Russian Federation. The Plenary meeting decided to take into account the abovementioned issues in the framework of the monitoring procedures.

EAG Secretariat
August 27, 2008