



Russia Cleans Up Banking System

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With 90 percent of Russian banks still not in full compliance with the country's financial laws, Russia is making an effort to clean up its banking system—in part with a Global Development Alliance (GDA) that helps banks prevent money laundering.

The \$2.89 million GDA links the Central Bank of Russia, USAID, the Citigroup Foundation, and the Financial Services Volunteer Corps (FSVC).

These alliance partners have been providing training and technical assistance to help Russia fight corruption in its financial system since 2006. The partnership's anti-money laundering (AML) training program helps prevent financial crime and combat financing of terrorism (CFT). Since 2007, over 250 individuals from roughly 100 different Russian banks, government agencies, and NGOs have participated in a series of AML/CFT compliance seminars.

The alliance training boosts compliance among Russian private sector financial institutions by promoting the adoption of domestic and international AML/CFT standards. In addition, it bolsters compliance oversight among Russian government agencies including the Russian Federal Financial Monitoring Service under the Ministry of Finance.

The GDA program brings experienced financial regulators from developed markets to share with their Russian counterparts difficulties they have had to overcome. Central Bank of Russia staff receive on-the-job training such as direct participation in AML examinations at U.S. banks.

"This Global Development Alliance has provided valuable, practical advice, and comprehensive commentaries that have helped shape major financial sector legislation," says Pavel Medvedev, a member of the Duma's Financial Markets Committee.

Over the past two years, the Central Bank of Russia has stripped licenses from 104 banks that were involved in suspicious operations. Large cash withdrawals, which have notoriously been used to dodge taxes or to offer kickbacks to officials, fell by 8 percent last year. "For the first time, the amount of suspicious cash withdrawals has fallen," Viktor Melnikov, deputy chairman of the Central Bank of Russia, said in a recent interview with Reuters.

USAID/Russia Mission Director Leon Waskin notes, "Besides its prime goal of advancing the AML/CFT capacities in Russia, this program contributes to formation of long-term professional partnerships between Russian and U.S. financial sector regulators. This will provide a key basis for addressing challenges in the financial sector, both domestically and internationally, long after the program ends."