

RUSSIA

BENEFICIAL OWNERSHIP TRANSPARENCY

Russia is fully compliant with G20 Principle 1 regarding the legal definition of beneficial ownership, and scores relatively well with regards to domestic and international cooperation. In addition, Russia does not permit bearer shares. Areas of concern include the legal framework related to foreign trusts and weaknesses regarding access by competent authorities to beneficial ownership information.

G20 PRINCIPLE 1: BENEFICIAL OWNERSHIP DEFINITION

Score: 100%

Russia is fully compliant with the G20 Principle 1.

Amendments to the Federal Law No. 115-FZ "On Combating Legalization (Laundering) of the Proceeds from Crime and Terrorism Financing" introduce the concept of a "beneficial owner". According to the amendments, a beneficial owner is an individual (natural person), who directly or indirectly (through third parties), owns (has an equity interest of more than 25 percent) the company – client, or has the capability to control the actions (decisions) of the client.

G20 PRINCIPLE 2: IDENTIFYING AND MITIGATING RISK

Score: 20%

According to commitments undertaken by Russia at the G8 summit, the Federal Financial Monitoring Service of the Russian Federation is now required to conduct the assessment of threats to national security posed by the legalisation (laundering) of proceeds from crime and the financing of terrorism, and to provide an annual report on such threats, as well as proposing measures for their neutralization to the Russian president.

However, these reports are not publicly disclosed, and there is no information as to whether external stakeholders such as financial institutions were involved in the preparation of the assessment, or whether the findings were distributed to stakeholders beyond the authorities.

G20 PRINCIPLE 3: ACQUIRING ACCURATE BENEFICIAL OWNERSHIP INFORMATION

Score 31%

Current laws and regulations do not require legal entities,

other than those with anti-money laundering obligations to maintain information on beneficial ownership. Consequently, there is also no requirement that the beneficial ownership information is maintained within Russia.

There is only a legal requirement that joint stock companies need to maintain a share registry containing all members and the number of each type of shares held. The register is maintained with the company, but in cases where more than 500 members are registered it needs to be kept with the registrar.

Limited liability companies also need to have information on members. According to the law, the founding member has to write an agreement which includes information on the size and allocation of share capital for each founding member (at. 11(5) Law on LLCs). An up-to-date register containing the name and shares should also be maintained. Changes in ownership need to be informed and registered.

G20 PRINCIPLE 4: ACCESS TO BENEFICIAL OWNERSHIP INFORMATION

Score: 32%

Timely access to beneficial ownership information by competent authorities in Russia is restricted. As there is no beneficial ownership registry and legal entities are not required to maintain beneficial ownership information, authorities have to rely on the information collected by financial institutions and DNFBPs or on basic information contained in the company registry or in other government databases such as the property register.

According to the Central Bank "Regulation on requirements for customer and beneficiaries identification" of 2014, the Federal Financial Monitoring Service as well as investigators in the course of pre-trial court requests can access beneficial ownership information held by obliged entities.

Russia has a central company registry that collects information on legal ownership, including the name of the company, proof of incorporation, list of directors, and shareholders (in the case of limited liability companies). This information is recorded as declared by the legal entity, but tax authorities may conduct inspections to verify whether the information is accurate. While this information may be useful to authorities when conducting investigations, they may not represent actual ownership information.

G20 PRINCIPLE 5: TRUSTS

Score: 33%

Russian law does not allow for the establishment of trusts with the exception of regulated investment unit trusts (IUTs). There are also no restrictions on persons in Russia acting as a trustee or providing other services to foreign trusts. According to previous FATF assessments, while trust corporate service providers do not exist in Russia, there is no impediment to natural or legal persons to provide such services.

In the case of IUTs, a management company needs to be appointed as the trustee and keep information on all parties to the unit (settlers and beneficiaries), but there is no mention to maintaining information on beneficial owners.

Trust service providers are not regulated by the anti-money laundering law and therefore there is no requirement that information on the parties to the trust needs to be kept by a trustee or a trust administrator even if the person is resident in Russia.

In the case of financial institutions when they have trusts as customers, there is a requirement to identify the beneficial owner and this means identifying all parties to the trust, including the trustee, settlor and beneficiaries.

G20 PRINCIPLE 6: ACCESS TO BENEFICIAL OWNERSHIP OF TRUSTS

Score: 33%

Russian authorities are allowed to request (via court) access to information on financial institutions regarding beneficial ownership and control of the trust / similar legal arrangements. However, as there are limited requirements for trustees to maintain information on all parties to the trust, it may be a challenge to access relevant beneficial ownership

G20 PRINCIPLE 7: DUTIES OF BUSINESS AND PROFESSIONS

Score: 62%

Financial Institutions

Score: 50%

Russian law requires that financial institutions have procedures for identifying the beneficial owner(s) when establishing a business relationship with a client, and to verify the identity of beneficial owners.

However, there are exceptions for the verification of beneficial ownership identity for Russian public bodies, state-owned corporations, international organizations and

embassies. Also, there is no requirement for independent verification of beneficial ownership information.

Financial institutions do not have full access to company registry information, and can decide whether to proceed with the transaction even when the supplied information is insufficient for verification of identity.

Financial institutions should submit reports to the Federal Financial Monitoring Service for all transactions above 600 000 rubles, and for all suspicious transactions.

Legalisation (laundering) of income illegally gained by third parties can lead to sanctions of up to five years of imprisonment for the financial institutions' directors and senior management.

Financial institutions should conduct enhanced due diligence in cases when the customer or the beneficial owner is a foreign PEP or a family member of a foreign PEP. The CEO of the financial institution should sign an order to establish a business relationship with such persons.

DNFBPs

Score: 69%

The law requires DNFBPs to identify the beneficial owner(s) of clients in some cases, including most transactions above 600 000 rubbles (EURO 10,000), and all real estate transactions above 3 000 000 rubbles (EURO 50,000).

This requirement extends in particular to accountants, real estate agents, dealers in precious metals and stones, dealers in luxury goods, lottery vendors and bookmakers for all transactions above 15 000 rubles (EURO 250), lawyers and notaries. It does not include trust and service providers.

DNFBPs are required to file suspicious transaction reports if the beneficial owner cannot be identified, and sanctions may be applied to directors and senior management of DNFBPs for failures to comply with legal requirements.

However, independent verification of identity of the beneficial owner is not required in all cases, and DNFBPs may proceed with a business transaction even where the beneficial owner has not been identified.

G20 PRINCIPLE 8: DOMESTIC AND INTERNATIONAL COOPERATION

Score: 63%

As regards domestic cooperation, relevant authorities may write a motivated request to the Federal Financial Monitoring Service to obtain specific information. The Federal Service for Financial Monitoring also has a unified information database.

There are restrictions to the information which can be shared between authorities in-country: Russian Federal Service for Financial Monitoring should comply with Russian federal laws, including laws on the protection of the state and other protected types of secrets (e.g. confidential information and commercial secrets).

The Federal Financial Service is the central authority dealing with international cooperation requests, and there are clear procedural requirements for a foreign jurisdiction to request BO information. Competent authorities may use their power and investigative techniques to respond to a request from foreign judicial or law enforcement authorities.

For instance, in 2013 foreign law enforcement authorities initiated 3% of money laundering investigations.

However, where national security interests of the Russian Federation may be affected, there are restrictions in place with regards to the exchange of information or providing assistance to foreign authorities.

G20 PRINCIPLE 9: BENEFICIAL OWNERSHIP INFORMATION AND TAX EVASION

Score: 75%

In Russia, the law does not impose any restriction on sharing beneficial ownership information with domestic tax authorities (e.g. confidential information). The main restriction is that tax authorities need to submit a motivated request to gain this information.

Russian has signed mutual information exchange treaties with 19 countries.

G20 PRINCIPLE 10: BEARER SHARES AND NOMINEES

Score: 100%

Bearer shares

Score: 100%

Russia does not allow the use of bearer shares.

Nominee shareholders and directors

Score: 100%

The concept of nominee shareholders does not exist under Russian law as there is no separation between legal ownership and control. The law on securities market mentions the possibility of having "nominee holders of shares", but under this concept it is clear that the person acts as an agent and does not assume legal ownership.